

**7th Annual Report
& Notice of
Annual General Meeting
25th November 2008**



**Galston & District
Community Bank™ Branch**



Galston Financial Services Limited

ACN 097 581 854

NOTICE OF ANNUAL GENERAL MEETING

The seventh Annual General Meeting of Shareholders of Galston Financial Services Limited will be held at The Galston Club on **Tuesday 25th November** at 7.30 pm

Agenda

1. **Welcome**
2. **Chairmans Report**
The Chairman, Mr Keith Todd, will present his report on the operations of the Company for the year ended 30th June 2008.
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 2008.
 - b) The directors' declaration and report for the financial year ended 30th June 2008.
 - c) The auditor's report for the financial year ended 30th June 2008.
4. **Directors**
To consider, and if thought fit, to pass the following resolution as an ordinary resolution: That the following directors stand down: Keith Todd, John Gray & Dennis Phillips and that the following directors, John Gray and Dennis Phillips, offer themselves for re-appointment to the Board.
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

Keith Todd
Chairman
Dated
11th October 2008

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

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 28th November 2006.

(Voting instructions to be indicated by placing a tick in the appropriate box. If no instruction is given the Proxy may vote a that person thinks fit, or abstain.)

Business	FOR	AGAINST	ABSTAIN
1. Receive Financial Statements & Reports	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ratification of Directors	<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 Date

Signature of Director Date

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

CHAIRMAN'S REPORT

The 2008 Financial Statements highlight the sound position of Galston Financial Services Limited. For the year ending June 30, earnings rose by 18% to \$988,000 and profit (after tax and sponsorship) increased by 20% to \$266,000. The Board has again resolved to pay a fully franked dividend of \$0.10c per share.

This is truly an outstanding result and can be directly attributed to the efforts of our staff and the support of the community. Special thanks go to Bernie Triebe and his team for the way they conduct themselves in fostering community support through such efficient and friendly service.

It is also pleasing to report that despite the current turmoil in financial markets and uncertainty over economic growth, our business growth is still steady and there is no evidence of any downturn.

The local community benefits significantly from our financial success and I thank Diana Moes and her committee for such good work in being the conduit between the Community Bank and the

community beneficiaries.

During the year Ralph Steele resigned as Chairman of the Board because of work commitments. Ralph was the founding Chairman of Galston Financial Services and the driving force behind the establishment of the Galston Community Bank. It is so pleasing to see that Ralph's drive and dedication over many years has laid such a solid foundation and his efforts are testimony to the sound financial position we now enjoy. On behalf of the Board and Shareholders I extend our gratitude and thanks to Ralph. We are fortunate to have Ralph remain as a Director.

During the year Sheena Daley and Gaven Koorey were appointed to the Board and Nick Koorey resigned. Nick was a founding Director and I would like to especially thank him for his renowned down to earth, common sense contributions to our discussions.

Special thanks to our Treasurer, Diana Paton, who continues to provide such wonderful support to the Board.

Keith Todd

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 17th November 2008 and marked for the Attention of the Company Secretary.

Richmond Sinnott & Delahunty

Chartered Accountants



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GALSTON FINANCIAL SERVICES LIMITED

Partners:
Kenneth J Richmond
Warren J Sinnott
Phillip P Delahunty
Brett A Andrews

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Galston Financial Services Limited, for the year ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Galston Financial Services Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunt

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 30 September 2008

Richmond Sinnott & Delahunty
Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Breit A Andrews

30 September 2008

The Directors
Galston Financial Services Limited
348 Galston Road
GALSTON NSW 2159

Dear Directors

We have now completed our audit of the financial report of Galston Financial Services Limited for period ended 30 June 2008. Subject to the Board of Directors adopting the financial report, we are in a position to issue an unqualified audit opinion on the company's financial report.

1. Overview of Audit Approach

Our audit was designed in accordance with Australian Auditing Standards (AUS), which provides for reasonable, rather than absolute, assurance that the financial report is free of material misstatement. The nature and scope of the audit work performed was designed to achieve our primary goal of supporting the audit opinion on the financial report.

2. Operations

2.1 Income Statement

	30 June 2008	30 June 2007
	\$	\$
Revenue from ordinary activities	988,177	833,580
Salaries & employee benefits expense	(269,149)	(262,339)
Depreciation & amortisation expenses	(25,945)	(27,641)
Borrowing cost expense	(11)	(647)
Donations and sponsorship	(53,826)	(51,310)
Administration & other operating expenses	(252,884)	(164,232)
Operating profit before income tax	386,362	327,411
Income tax expense	120,344	106,155
Operating profit after income tax	266,018	221,256

2.2 Balance Sheet

	30 June 2008	30 June 2007
	\$	\$
Current assets	500,547	237,158
Non current assets	772,250	819,447
Total assets	1,272,797	1,056,605
Total liabilities	(136,517)	(104,663)
Shareholders' equity	1,136,280	951,942

3. Auditing/Accounting Issues

Our audit once again did not highlight any significant issues.

4. Summary of Audit Differences

There are no material audit differences that have not been included in the financial report for Galston Financial Services Limited.

5. Other Matters

Our work is not primarily directed towards the discovery of weaknesses or the detection of fraud or other irregularities, other than those that would influence us in forming our audit opinion. We take this opportunity to thank Dannielle Jakes and Diana Paton for their assistance in enabling us to complete the annual audit.

Should you have any queries in relation to any other matter please do not hesitate to contact us.

Yours sincerely



Warren Sinnott
Partner
Richmond Sinnott & Delahunty

MANAGER'S REPORT

By Bernie Triebe, Branch Manager

We are now in our 7th financial year and I have now been the manager at our "Community Bank" for over 4 years. This year has seen a moderation in the pace of our growth however it is still steady with a new record before tax profit being achieved.

By the end of the 2008 financial year our "Community Bank" achieved the following milestones:

- Number of accounts over 4,300.
- Total Deposits over \$58.7m.
- Total Loans over \$30.5m.
- Other Business \$2.4m
- Total Business over \$91.7m
- Net Profit before Tax achieved was over \$468,000.
- Dividends returned to Shareholders were 10% fully franked.
- Sponsorships, Donations and Community Grants paid or committed totalled \$76,147.

I believe the board, shareholders, customers and the staff can justifiably be proud of the above achievements.

For the first 3 months of this year our "Community Bank" has continued to grow and a summary of our position as at 30/09/08 is:

- Total growth over \$2.1m
- Total Deposits over \$2m
- Total Loans over \$0.1m
- Total Business now sits at over \$93.8m
- Total number of accounts are now over 4,500
- Net Profit before tax \$132,196-
- Sponsorships, Donations and Community Grants paid or committed totalled \$82,605-

Even in these turbulent and difficult times we continue to maintain for Galston and surrounding districts a viable banking service whilst at the same time providing returns for local shareholders and making a great contribution back to the community.

I take this opportunity to thank the following:

- The Board of Directors for the great support and encouragement that they have given to me and to the branch.
- The staff for providing an efficient and professional service both to the bank and to its customers.
- To the shareholders and all our customers for the support that they have given to their local "Community Bank".

Richmond Sinnott & Delahunty
Chartered Accountants



Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

30 September 2008

The Directors
Galston Financial Services Limited
348 Galston Road
GALSTON NSW 2159

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Galston Financial Services Limited for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Galston Financial Services Limited

Financial Statements

Galston Financial Services Limited
ABN 23 097 581 854
Director's Report

Your Directors submit the financial report of the company for the financial year ended 30 June 2008.

Directors

The names and details of the company's directors who held office during or since the end of the financial year are:

Ralph Henry Steele Chairman Sound Engineer	Diana Mary Paton Director/Treasurer Printer
John Gray (appointed 1 October 2007) Director Company Director	Keith Todd Director Company Director
Diana Valerie Moes Director Medical Practitioner	Nicholas George Koorey (resigned 27/11/07) Director Developer
Dennis Arthur Phillips Director Farmer	Sheena Daley (appointed 2 April 2008) Director Real Estate Agent
Gavin Koorey (appointed 2 April 2008) Director Self Storage Manager	

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

Principal activities

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

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

Operating Results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was \$266,018 (2007: \$221,256).

Dividends	Year Ended 30 June 2008	
	Cents Per Share	\$
Dividends paid in the year	10	81,680

Significant changes in the state of affairs

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

Galston Financial Services Limited
ABN 23 097 581 854
Director's Report

Significant events after the balance date

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

Likely Developments

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

Directors' Benefits

Diana Paton's business - Adelphi Offset was hired to print reports and provide bookkeeping services to the sum of \$6,692 (2007: \$3,635).

No other 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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

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

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

Directors Meetings

The number of Directors meetings attended by each of the Directors of the company during the year were:

Number of Meetings Held: 9

Number of Meetings Attended:

Ralph Henry Steele	4
Diana Mary Paton	9
John Gray (appointed 1 October 2007)	3
Nicholas George Koorey	2
Diana Valerie Moes	9
Dennis Arthur Phillips	9
Keith Todd	6
Sheena Daley (appointed 2 April 2008)	1
Gavin Koorey (appointed 2 April 2008)	2

Galston Financial Services Limited
ABN 23 097 581 854
Director's Report

Company Secretary

Diana Eton was appointed as company secretary of Galston Financial Services Ltd during 2007. Diana has 16 years experience in the financial markets and for the last 9 years has jointly with her husband operated a printing business in Glenorie.

Corporate Governance

The company has implemented various corporate governance practices, which include:

- (a) The establishment of a finance committee. Members of the finance committee are Diana Eton, Keith Todd and Bernie Triebe (Chairman);
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The directors received the following declaration from the auditor of the company:

Richmond Sinnott & Delahunty
Chartered Accountants



172-176 McIvor Rd
PO Box 30
Bendigo, 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Galston Financial Services Ltd for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty
30 September 2008

Signed in accordance with a resolution of the Board of Directors at Galston, New South Wales on 30 September 2008

Ralph Henry Seale, Chairman

Galston Financial Services Limited
ABN 23 097 581 854
Income Statement
for the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Revenue from ordinary activities	2	988,177	833,580
Employee benefits expense	3	(269,149)	(262,339)
Depreciation and amortisation expense	3	(25,945)	(27,641)
Finance costs	3	(11)	(647)
Charitable donations and sponsorship		(53,826)	(51,310)
Administration and other expenses from ordinary activities		<u>(252,884)</u>	<u>(164,232)</u>
Profit before income tax expense		386,362	327,411
Income tax expense	4	<u>120,344</u>	<u>106,155</u>
Profit after income tax expense		<u><u>266,018</u></u>	<u><u>221,256</u></u>
Earnings per share (cents per share)			
- basic for profit for the year	21	32.57	27.09
- diluted for profit for the year	21	32.57	27.09
- dividends paid per share	20	10	10

The accompanying notes form part of these financial statements

Galston Financial Services Limited
ABN 23 097 581 854
Balance Sheet
as at 30 June 2008

	Notes	2008 \$	2007 \$
Current Assets			
Cash assets	6	407,905	160,089
Receivables	7	92,642	77,069
Total Current Assets		<u>500,547</u>	<u>237,158</u>
Non-Current Assets			
Property, plant and equipment	8	766,644	772,242
Intangible assets	9	5,606	47,205
Total Non-Current Assets		<u>772,250</u>	<u>819,447</u>
Total Assets		<u>1,272,797</u>	<u>1,056,605</u>
Current Liabilities			
Payables	10	62,367	37,514
Current income tax payable	4	35,156	31,457
Provisions	11	38,994	35,692
Total Current Liabilities		<u>136,517</u>	<u>104,663</u>
Total Liabilities		<u>136,517</u>	<u>104,663</u>
Net Assets		<u>1,136,280</u>	<u>951,942</u>
Equity			
Share capital	12	816,800	816,800
Retained earnings / (accumulated losses)	13	319,480	135,142
Total Equity		<u>1,136,280</u>	<u>951,942</u>

Statement of Changes in Equity
for the year ended 30 June 2008

	2008 \$	2007 \$
SHARE CAPITAL		
<i>Ordinary shares</i>		
Balance at start of year	816,800	816,800
Issue of share capital	-	-
Share issue costs	-	-
Balance at end of year	<u>816,800</u>	<u>816,800</u>
RETAINED EARNINGS / (ACCUMULATED LOSSES)		
Balance at start of year	135,142	(4,434)
Profit after income tax expense	266,018	221,256
Dividends paid	(81,680)	(81,680)
Balance at end of year	<u>319,480</u>	<u>135,142</u>

Galston Financial Services Limited
ABN 23 097 581 854
Cash Flow Statement
for the year ended 30 June 2008

	<u>Notes</u>	2008 \$	2007 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,060,194	906,058
Cash payments in the course of operations		(597,009)	(550,144)
Interest received		8,920	4,087
Income tax paid		(116,645)	(131,356)
Borrowing costs		(11)	(647)
Net cash flows from operating activities	14b	355,449	227,998
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(18,946)	(12,251)
Payments for intangible assets		(7,007)	(50,000)
Net cash flows used in investing activities		(25,953)	(62,251)
Cash Flows From Financing Activities			
Payment of dividends		(81,680)	(81,680)
Net cash flows used in financing activities		(81,680)	(81,680)
Net increase/(decrease) in cash held		247,816	84,067
Add opening cash brought forward		160,089	76,022
Closing cash carried forward	14a	407,905	160,089

The accompanying notes form part of these financial statements

Galston Financial Services Limited
ABN 23 097 581 854
Notes to the Financial Statements
for the year ended 30 June 2008

1. Basis of preparation of the Financial Report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 30 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2007 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Galston Financial Services Limited
ABN 23 097 581 854
Notes to the Financial Statements
for the year ended 30 June 2008

1. Basis of preparation of the Financial Report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Computers	40%
Plant & Equipment	3.75% - 30%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Galston Financial Services Limited
ABN 23 097 581 854
Notes to the Financial Statements
for the year ended 30 June 2008

1. Basis of preparation of the Financial Report (continued)

Recoverable amount of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not 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 expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee Benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Comparative Figures

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

Galston Financial Services Limited
ABN 23 097 581 854
Notes to the Financial Statements
for the year ended 30 June 2008

1. Basis of preparation of the Financial Report (continued)

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and Payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

Interest Bearing Liabilities

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.

Provisions

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

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Contributed Capital

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

2. Revenue from ordinary activities	2008	2007
	\$	\$
Operating activities		
- services commissions	979,257	829,493
Total revenue from operating activities	979,257	829,493
Non-operating activities:		
- interest received	8,920	4,087
Total revenue from non-operating activities	8,920	4,087
Total revenue from ordinary activities	988,177	833,580

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3. Expenses	2008	2007
	\$	\$
Employee benefits expense		
- wages and salaries	247,316	241,037
- superannuation costs	<u>21,833</u>	<u>21,302</u>
	<u>269,149</u>	<u>262,339</u>
 Depreciation of non-current assets:		
- plant and equipment	12,147	10,411
- buildings	12,397	12,358
 Amortisation of non-current assets:		
- intangibles	<u>1,401</u>	<u>4,872</u>
	<u>25,945</u>	<u>27,641</u>
 Finance costs:		
- interest paid	11	647
 Bad debts	-	121
 4. Income Tax Expense		
The prima facie tax on profit before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	115,909	98,224
 Add tax effect of:		
- Non-deductible expenses	4,435	7,931
 <i>Current income tax expense</i>	<u>120,344</u>	<u>106,155</u>
 Income tax expense	<u>120,344</u>	<u>106,155</u>
 Tax Liabilities		
Current tax payable	<u>35,156</u>	<u>31,457</u>

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5. Auditors' Remuneration	2008	2007
	\$	\$
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the company	<u>3,650</u>	<u>3,650</u>
 6. Cash Assets		
Cash at bank and on hand	<u>407,905</u>	<u>160,089</u>
 7. Receivables		
Trade debtors	<u>92,642</u>	<u>77,069</u>
 8. Property, Plant and Equipment		
<i>Land</i>		
Freehold land at cost	<u>262,170</u>	<u>262,170</u>
 <i>Buildings</i>		
At cost	497,410	495,100
Less accumulated depreciation	<u>(79,437)</u>	<u>(67,040)</u>
	<u>417,973</u>	<u>428,060</u>
 <i>Plant and equipment</i>		
At cost	175,294	158,658
Less accumulated depreciation	<u>(88,793)</u>	<u>(76,646)</u>
	<u>86,501</u>	<u>82,012</u>
 Total written down amount	<u>766,644</u>	<u>772,242</u>
 Movements in carrying amounts		
<i>Building</i>		
Carrying amount at beginning of year	428,060	428,997
Additions	2,310	11,421
Disposals	-	-
Depreciation expense	<u>(12,397)</u>	<u>(12,358)</u>
Carrying amount at end of year	<u>417,973</u>	<u>428,060</u>
 <i>Plant and equipment</i>		
Carrying amount at beginning of year	82,012	91,593
Additions	16,636	830
Disposals	-	-
Depreciation expense	<u>(12,147)</u>	<u>(10,411)</u>
Carrying amount at end of year	<u>86,501</u>	<u>82,012</u>

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9. Intangible Assets	2008	2007
	\$	\$
<i>Franchise Fee</i>		
At cost	-	100,000
Less accumulated amortisation	-	(52,795)
	<u>-</u>	<u>47,205</u>
 <i>Capitalised legal expenses</i>		
At cost	7,007	-
Less accumulated amortisation	(1,401)	-
	<u>5,606</u>	<u>-</u>
 <i>Capitalised borrowing expenses</i>		
At cost	-	4,510
Less accumulated amortisation	-	(4,510)
	<u>-</u>	<u>-</u>
	<u>5,606</u>	<u>47,205</u>
 10. Payables		
Trade creditors	28,336	11,648
ATO payable	28,055	21,355
Other creditors and accruals	5,976	4,511
	<u>62,367</u>	<u>37,514</u>
 11. Provisions		
Employee benefits	<u>38,994</u>	<u>35,692</u>
Number of employees at year end	<u>7</u>	<u>6</u>
 12. Share Capital		
816,800 Ordinary Shares fully paid of \$1 each	<u>816,800</u>	<u>816,800</u>
 13. Accumulated Profit		
Balance at the beginning of the financial year	135,142	(4,434)
Profit after income tax	266,018	221,256
Dividends paid or proposed	(81,680)	(81,680)
Balance at the end of the financial year	<u>319,480</u>	<u>135,142</u>

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14. Cash Flow Statement	2008	2007
	\$	\$
(a) Reconciliation of cash		
Cash assets	<u>407,905</u>	<u>160,089</u>
(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities		
Profit after income tax	266,018	221,256
Non cash items		
- Depreciation	24,544	22,769
- Amortisation	1,401	4,872
- Intangibles expensed	47,205	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(15,573)	(5,852)
- Increase (decrease) in payables	24,853	(630)
- Increase (decrease) in income tax payable	3,699	(25,201)
- Increase (decrease) in provisions	<u>3,302</u>	<u>10,784</u>
Net cashflows from/(used in) operating activities	<u>355,449</u>	<u>227,998</u>

15. Director and Related Party Disclosures

The names of directors who have held office during the financial year are:

Ralph Henry Steele
Diana Mary Paton
John Gray (appointed 1 October 2007)
Nicholas George Koorey
Diana Valerie Moes
Dennis Arthur Phillips
Keith Todd
Sheena Daley (appointed 2 April 2008)
Gavin Koorey (appointed 2 April 2008)

Diana Paton's business - Adelphi Offset was hired to print reports and provide bookkeeping services to the sum of \$6,692 (2007: \$3,635).

No other director or related entity has entered into a material contract with the company. No director's fees have been paid as the positions are held on a voluntary basis.

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15. Director and Related Party Disclosures (continued)

Directors shareholdings	2008	2007
Ralph Henry Steele	10,000	10,000
Diana Mary Paton	500	500
John Gray (appointed 1 October 2007)	1,000	1,000
Nicholas George Koorey	12,000	12,000
Diana Valerie Moes	7,000	7,000
Dennis Arthur Phillips	3,400	3,400
Keith Todd	-	-
Sheena Daley (appointed 2 April 2008)	-	-
Gavin Koorey (appointed 2 April 2008)	-	-

There was no movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid. The above holdings are held personally or in associated entities.

16. Subsequent Events

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

17. Contingent Liabilities

A commercial guarantee to the value of \$10,000 was made prior to 30 June 2004. There are no other contingent liabilities at the date of this report to affect the financial statement.

18. Segment Reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Galston, New South Wales.

19. Corporate Information

Galston Financial Services Ltd is a company limited by shares incorporated in Australia.

The registered office and principal place of business is:
348 Galston Road
GALSTON NSW 2159

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20. Dividends paid or provided for on ordinary shares	2008	2007
	\$	\$
(a) Dividends paid during the year		
Franked dividends - 10 cents per share (2007: 10 cents per share)	<u>81,680</u>	<u>81,680</u>
(b) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	214,071	132,432
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	35,156	31,457
	<u>249,227</u>	<u>163,889</u>

The tax rate at which dividends have been franked is 30% (2007: 30%).

21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit after income tax expense	<u>266,018</u>	<u>221,256</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>816,800</u>	<u>816,800</u>

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22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

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

(a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying Amount	
	2008	2007
	\$	\$
Cash assets	407,905	160,089
Receivables	<u>92,642</u>	<u>77,069</u>
	<u>500,547</u>	<u>237,158</u>

The Company's exposure to credit risk is limited to Australia by geographic area. The entire balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are past due (2007: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

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

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

In addition, the Company has an established overdraft facility of \$60,000 with Bendigo and Adelaide Bank Ltd.

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Notes to the Financial Statements
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22. Financial risk management (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
30 June 2008					
Payables	62,367	(62,367)	(62,367)	-	-
	<u>62,367</u>	<u>(62,367)</u>	<u>(62,367)</u>	<u>-</u>	<u>-</u>
30 June 2007					
Payables	37,514	(37,514)	(37,514)	-	-
	<u>37,514</u>	<u>(37,514)</u>	<u>(37,514)</u>	<u>-</u>	<u>-</u>

(c) Market risk

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

Interest Rate Risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying Amount	
	2008	2007
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>
Variable rate instruments		
Financial assets	407,905	160,089
Financial liabilities	-	-
	<u>407,905</u>	<u>160,089</u>

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2007 there was also no impact. As at both dates this assumes all other variables remain constant.

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22. Financial risk management (continued)

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at year end.

(e) Capital management

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

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

- (i) the Distribution Limit is the greater of:
 - (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
 - (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- (ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2008 can be seen in the Income Statement.

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

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Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Ralph Henry Steele.

Signed at Galston, New South Wales on 30 September 2008.

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

Franchisee: Galston Financial Services Limited

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

Bendigo Bank Limited ACN 068 049 178