

**Galston Financial Services Limited**

**Financial Statements**

**as at**

**30 June 2011**

**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 2011.

**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  
Director  
Sound Engineer

Diana Mary Paton  
Director / Secretary  
Printer

John Gray  
Director - Retired 19/4/2011  
Company Director

Kevin Cook  
Director / Treasurer  
Retired

Diana Valerie Moes  
Director  
Medical Practitioner

Sheena Daley  
Director  
Licensed Real Estate Agent

Dennis Arthur Phillips  
Director  
Farmer

Gavin Koorey  
Chairman  
Self Storage Manager

Neil Turrell  
Director  
Builder

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.

**Review of Operations**

Operations have continued to perform in line with expectations. The profit of the Company for the financial year after provision for income tax was \$390,049 (2010: \$319,489).

Dividends	Year Ended 30 June 2011	
	Cents Per Share	\$
Dividends paid in the year	13	106,184

**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.

**Remuneration Report**

Diana Paton's businesses - Adelphi Offset was hired to print reports to the sum of \$860 (2010: \$425), Galston and District Community News was paid for advertising to the sum of \$2,763.

Neil Turrell's business - Turrell Building Services Pty Ltd was contracted for services relating to the building refurbishment to the sum of \$3,220 (2010: \$0).

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

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

**Directors Meetings**

The number of Directors meetings attended during the year were:

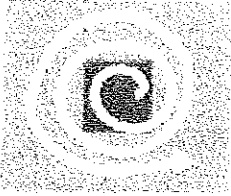
<b>Director</b>	<b>Board Meetings #</b>	<b>Finance Committee Meetings #</b>
Ralph Henry Steele	10 (12)	N/A
Diana Mary Paton	9 (12)	N/A
John Gray - Retired 19/4/2011	6 (10)	2 (2)
Diana Valerie Moes	10 (12)	N/A
Dennis Arthur Phillips	9 (12)	N/A
Kevin Cook	11 (12)	2 (2)
Sheena Daley	7 (12)	2 (2)
Gavin Koorey	12 (12)	N/A
Neil Turrell	7 (12)	N/A

# The first number is the meetings attended while in brackets is the number of meetings eligible to attend.  
N/A - not a member of that Committee.

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

**Auditor Independence Declaration**

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



**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

Level 2, 10-16 Forest Street  
PO Box 30  
Bendigo, 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto: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 2011, 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**  
**15 September 2011**

Signed in accordance with a resolution of the Board of Directors at Galston, New South Wales on 15 September 2011.

Gavin Koorey, Chairman

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
Revenue from continuing operations	2	1,326,353	1,139,289
Employee benefits expense	3	(391,960)	(319,670)
Depreciation and amortisation expense	3	(27,918)	(26,183)
Finance costs	3	(186)	(123)
Charitable donations and sponsorship		(167,708)	(133,583)
Other expenses		<u>(184,564)</u>	<u>(192,310)</u>
<b>Profit before income tax expense</b>		554,017	467,420
Income tax expense	4	<u>163,968</u>	<u>147,931</u>
<b>Profit after income tax expense</b>		390,049	319,489
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>390,049</u></u>	<u><u>319,489</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit for the year	21	47.75	39.11
- diluted for profit for the year	21	47.75	39.11

The accompanying notes form part of these financial statements

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Statement of Financial Position**  
**as at 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	1,082,974	834,614
Receivables	7	121,098	118,438
<b>Total Current Assets</b>		<u>1,204,072</u>	<u>953,052</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	785,235	760,187
Intangible assets	9	6,040	6,540
<b>Total Non-Current Assets</b>		<u>791,275</u>	<u>766,727</u>
<b>Total Assets</b>		<u>1,995,347</u>	<u>1,719,779</u>
<b>Current Liabilities</b>			
Payables	10	59,149	59,207
Current income tax payable	4	50,802	57,473
Provisions	11	69,912	71,480
<b>Total Current Liabilities</b>		<u>179,863</u>	<u>188,160</u>
<b>Total Liabilities</b>		<u>179,863</u>	<u>188,160</u>
<b>Net Assets</b>		<u>1,815,484</u>	<u>1,531,619</u>
<b>Equity</b>			
Share capital	12	816,800	816,800
Retained earnings / (accumulated losses)	13	998,684	714,819
<b>Total Equity</b>		<u>1,815,484</u>	<u>1,531,619</u>

The accompanying notes form part of these financial statements

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Statement of Cash Flows**  
**for the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		1,391,793	1,221,306
Cash payments in the course of operations		(862,126)	(746,152)
Interest received		48,196	19,014
Income tax paid		(170,639)	(132,318)
Borrowing costs		(186)	(123)
<b>Net cash flows from operating activities</b>	14b	<u>407,038</u>	<u>361,727</u>
<b>Cash Flows From Investing Activities</b>			
Payments for property, plant and equipment		(49,931)	(42,654)
Payments for intangible assets		(2,563)	(1,436)
<b>Net cash flows used in investing activities</b>		<u>(52,494)</u>	<u>(44,090)</u>
<b>Cash Flows From Financing Activities</b>			
Payment of dividends		(106,184)	(81,680)
<b>Net cash flows used in financing activities</b>		<u>(106,184)</u>	<u>(81,680)</u>
<b>Net increase/(decrease) in cash held</b>		248,360	235,957
Cash and cash equivalents at start of year		834,614	598,657
<b>Cash and cash equivalents at end of year</b>	14a	<u>1,082,974</u>	<u>834,614</u>

The accompanying notes form part of these financial statements

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2011**

	<u>Notes</u>	2011 \$	2010 \$
<b>SHARE CAPITAL</b>			
Balance at start of year		816,800	816,800
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<u>816,800</u>	<u>816,800</u>
<b>RETAINED EARNINGS</b>			
Balance at start of year		714,819	477,010
Profit after income tax expense		390,049	319,489
Dividends paid	20	<u>(106,184)</u>	<u>(81,680)</u>
<b>Balance at end of year</b>		<u>998,684</u>	<u>714,819</u>

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 2011**

**1. Basis of preparation of the Financial Report**

**(a) Basis of preparation**

Galston Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on XX September 2011.

**(b) Statement of compliance**

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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 2010 financial statements.

**Income tax**

Deferred income tax is provided on all temporary differences at the reporting 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 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 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 2011**

**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% - 50%

*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.

**Galston Financial Services Limited**

**ABN 23 097 581 854**

**Notes to the Financial Statements**

**for the year ended 30 June 2011**

**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 Statement of Financial Position. Cash flows are included in the Statement of Cash Flows 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 reporting 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 statement of cash flows, 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 2011**

**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.

**Loans and Borrowings**

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.

**Share 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.

	2011	2010
	\$	\$
<b>2. Revenue from ordinary activities</b>		
Operating activities		
- services commissions	1,272,346	1,120,275
Total revenue from operating activities	<u>1,272,346</u>	<u>1,120,275</u>
Non-operating activities:		
- interest received	54,007	19,014
Total revenue from non-operating activities	<u>54,007</u>	<u>19,014</u>
Total revenue from ordinary activities	<u><u>1,326,353</u></u>	<u><u>1,139,289</u></u>

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>3. Expenses</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	360,756	293,715
- superannuation costs	31,204	25,955
	<u>391,960</u>	<u>319,670</u>
Depreciation of non-current assets:		
- plant and equipment	11,091	11,177
- buildings	13,764	12,455
Amortisation of non-current assets:		
- intangibles	3,063	2,551
	<u>27,918</u>	<u>26,183</u>
Finance costs:		
- interest paid	186	123
Bad debts	758	7
<b>4. Income Tax Expense</b>		
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%	166,205	140,226
Add tax effect of:		
- Non-deductible expenses	(2,237)	7,705
<i>Current income tax expense</i>	<u>163,968</u>	<u>147,931</u>
Income tax expense	<u>163,968</u>	<u>147,931</u>
<b>Tax Liabilities</b>		
Current tax payable	<u>50,802</u>	<u>57,473</u>

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>5. Auditors' Remuneration</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	<u>3,900</u>	<u>3,900</u>
 <b>6. Cash and Cash Equivalents</b>		
Cash at bank and on hand	<u>1,082,974</u>	<u>834,614</u>
 <b>7. Receivables</b>		
Prepayments	-	9,576
Sundry debtors	5,811	-
Trade debtors	<u>115,287</u>	<u>108,862</u>
	<u>121,098</u>	<u>118,438</u>
 <b>8. Property, Plant and Equipment</b>		
<i>Land</i>		
Freehold land at cost	<u>262,170</u>	<u>262,170</u>
 <i>Buildings</i>		
At cost	561,292	531,338
Less accumulated depreciation	<u>(118,092)</u>	<u>(104,328)</u>
	<u>443,200</u>	<u>427,010</u>
 <i>Plant and equipment</i>		
At cost	205,196	185,511
Less accumulated depreciation	<u>(125,331)</u>	<u>(114,504)</u>
	<u>79,865</u>	<u>71,007</u>
 Total written down amount	<u>785,235</u>	<u>760,187</u>
 <b>Movements in carrying amounts</b>		
<i>Buildings</i>		
Carrying amount at beginning of year	427,010	405,537
Additions	29,954	33,928
Disposals	-	-
Depreciation expense	<u>(13,764)</u>	<u>(12,455)</u>
Carrying amount at end of year	<u>443,200</u>	<u>427,010</u>
 <i>Plant and equipment</i>		
Carrying amount at beginning of year	71,007	73,458
Additions	19,977	8,726
Disposals	(28)	-
Depreciation expense	<u>(11,091)</u>	<u>(11,177)</u>
Carrying amount at end of year	<u>79,865</u>	<u>71,007</u>

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>9. Intangible Assets</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<i>Capitalised legal expenses</i>		
At cost	15,319	12,756
Less accumulated amortisation	<u>(9,279)</u>	<u>(6,216)</u>
	<u>6,040</u>	<u>6,540</u>
	<u>6,040</u>	<u>6,540</u>
 <b>10. Payables</b>		
Trade creditors	19,011	22,775
ATO payable	36,948	31,170
Other creditors and accruals	<u>3,190</u>	<u>5,262</u>
	<u>59,149</u>	<u>59,207</u>
 <b>11. Provisions</b>		
Employee benefits	<u>69,912</u>	<u>71,480</u>
 <b>Movement in employee benefits</b>		
Opening balance	71,480	59,458
Movement in provision for year	<u>(1,568)</u>	<u>12,022</u>
Closing balance	<u>69,912</u>	<u>71,480</u>
 <b>12. Share Capital</b>		
816,800 Ordinary Shares fully paid of \$1 each	<u>816,800</u>	<u>816,800</u>
 <b>13. Retained Earnings</b>		
Balance at the beginning of the financial year	714,819	477,010
Profit after income tax	390,049	319,489
Dividends paid or proposed	<u>(106,184)</u>	<u>(81,680)</u>
Balance at the end of the financial year	<u>998,684</u>	<u>714,819</u>

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>14. Statement of Cash Flows</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Cash and cash equivalents</b>		
Cash assets	<u>1,082,974</u>	<u>834,614</u>
<b>(b) Reconciliation of profit after tax to net cash provided from/(used in) operating activities</b>		
Profit after income tax	390,049	319,489
Non cash items		
- Depreciation	24,855	23,632
- Amortisation	3,063	2,551
- Loss on sale of fixed assets	28	-
Changes in assets and liabilities		
- (Increase) decrease in receivables	(2,660)	(17,759)
- Increase (decrease) in payables	(58)	6,179
- Increase (decrease) in income tax payable	(6,671)	15,613
- Increase (decrease) in provisions	(1,568)	12,022
Net cashflows from/(used in) operating activities	<u>407,038</u>	<u>361,727</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 - Retired 19/4/2011  
Diana Valerie Moes  
Dennis Arthur Phillips  
Kevin Cook  
Sheena Daley  
Gavin Koorey  
Neil Turrell

Diana Paton's businesses - Adelphi Offset was hired to print reports to the sum of \$860 (2010: \$425), Galston and District Community News was paid for advertising to the sum of \$2,763.

Neil Turrell's business - Turrell Building Services Pty Ltd was contracted for services relating to the building refurbishment to the sum of \$3,220 (2010: \$0).

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.



**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**15. Director and Related Party Disclosures (continued)**

<b>Directors shareholdings</b>	<b>2011</b>	<b>2010</b>
Ralph Henry Steele	10,000	10,000
Diana Mary Paton	500	500
John Gray - Retired 19/4/2011	1,000	1,000
Diana Valerie Moes	7,000	7,000
Dennis Arthur Phillips	3,400	3,400
Kevin Cook	-	-
Sheena Daley	5,000	5,000
Gavin Koorey	-	-
Neil Turrell	-	-

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 and Assets**

A commercial guarantee to the value of \$10,000 was made prior to 30 June 2004. There are no other contingent liabilities or assets 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

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

<b>20. Dividends paid or provided for on ordinary shares</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Dividends paid during the year</b>		
Franked dividends - 13 cents per share (2010: 10 cents per share)	<u>106,184</u>	<u>81,680</u>
<b>(b) Franking credit balance</b>		
The amount of franking credits available for the subsequent financial year are:		
- Franking account balance as at the end of the financial year	513,056	387,924
- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	51,139	57,473
	<u>564,195</u>	<u>445,397</u>

The tax rate at which dividends have been franked is 30% (2010: 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>390,049</u>	<u>319,489</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>816,800</u>	<u>816,800</u>

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

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

	<u>Carrying Amount</u>	
	<u>2011</u>	<u>2010</u>
	\$	\$
Cash assets	1,082,974	834,614
Receivables	121,098	118,438
	<u>1,204,072</u>	<u>953,052</u>

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

None of the assets of the Company are past due (2010: 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.

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**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 \$
<b>30 June 2011</b>					
Payables	59,149	(59,149)	(59,149)	-	-
	<u>59,149</u>	<u>(59,149)</u>	<u>(59,149)</u>	<u>-</u>	<u>-</u>
<b>30 June 2010</b>					
Payables	59,207	(59,207)	(59,207)	-	-
	<u>59,207</u>	<u>(59,207)</u>	<u>(59,207)</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:

	<u>Carrying Amount</u>	
	2011 \$	2010 \$
<b>Fixed rate instruments</b>		
Financial assets	752,082	655,292
Financial liabilities	-	-
	<u>752,082</u>	<u>655,292</u>
<b>Variable rate instruments</b>		
Financial assets	330,892	179,322
Financial liabilities	-	-
	<u>330,892</u>	<u>179,322</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 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

**Galston Financial Services Limited**  
**ABN 23 097 581 854**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2011**

**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 Statement of Financial Position. 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 Statement of Financial Position.

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

- (i) the Distribution Limit is the greater of:
  - (a) 20% of the profit or funds of the 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 2011 can be seen in the Statement of Comprehensive Income.

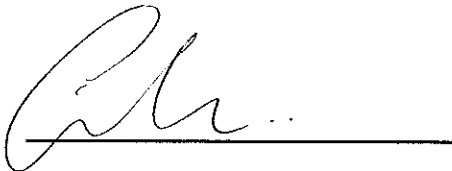
There were no changes in the Company's approach to capital management during the year.

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

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

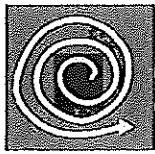
In the opinion of the directors:

- (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 2011 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards 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.

A handwritten signature in black ink, appearing to read 'GK', is written over a solid horizontal line.

Gavin Koorey, Chairman

Signed at Galston, New South Wales on 15 September 2011.



**Richmond  
Sinnott &  
Delahunty**

Chartered Accountants

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF GALSTON FINANCIAL  
SERVICES LIMITED**

**SCOPE**

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Galston Financial Services Limited, for the year ended 30 June 2011.

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 2011 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 & Delahunty*

**RICHMOND SINNOTT & DELAHUNTY**  
Chartered Accountants

*W. J. Sinnott*

**W. J. SINNOTT**  
Partner  
Bendigo

Date: 15 September 2011





Chartered Accountants

15 September 2011

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 2011, 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.

A handwritten signature in cursive script, appearing to read 'W Sinnott', is positioned above the printed name.

**Warren Sinnott**  
**Partner**  
**Richmond Sinnott & Delahunty**