

Galston Financial Services Limited 11th Annual Report & Notice of Annual General Meeting 27th November 2012



Galston & District **Community Bank** Branch  **Bendigo Bank**

Franchisee: **Galston Financial Services Limited**

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

Galston Financial Services Limited

ACN 097 581 854

NOTICE OF ANNUAL GENERAL MEETING

The Eleventh Annual General Meeting of Shareholders will be held at
The Galston Club 21-25 Arcadia Road Galston NSW
On Tuesday 27th November 2012 at 7.30 pm

Agenda

1) **Welcome**

2) **Chairman's Report**

- a) The Chairman, Mr Gavin Koorey, will present his report on the operations of the Company for the year ended 30th June 2012.
- b) The Manager, Mr Bernie Triebe, will present his report for the year ended 30th June 2012.

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 2012.
- b) The directors' declaration and report for the financial year ended 30th June 2012.
- c) The auditor's report for the financial year ended 30th June 2012.

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

4) **Directors**

- a) To consider, and if thought fit, to pass the following resolutions as ordinary resolutions:
- b) That pursuant to article 62(1) of the Company's Constitution, Diana Moes retires as a director, and being eligible is re-elected as a director;
- c) That pursuant to article 62(1) of the Company's Constitution, Dennis Phillips retires as a director, and being eligible is re-elected as a director;
- d) That pursuant to article 62(1) of the Company's Constitution, Diana Paton retires as a director, and being eligible is re-elected as a director.

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



Gavin Koorey
Chairman

Dated 20th October 2012

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 27th November 2012.
(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. Diana Moes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
b. Dennis Phillips	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
c. Diana Paton	<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/Secretary Date.....

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 17th November 2011 and marked for the Attention of the Company Secretary.

Chairman's Report 2012

In its 10th year Galston Financial Services performed well considering the subdued economy and tightening banking sector margins. Our profit before tax was \$385,444.00 with a net result of \$265,411.00. In addition we provided over \$320,000.00 to the community in Sponsorships and Donations, which is almost double that of the previous year. Our balance sheet is also in a stronger position with an increase in Cash of over \$100,000.00 and an increase in Non Current assets resulting from a formal revaluation of our land and building. Therefore considering the strength of our business the board decided to once again pay a fully franked 13 cent per share dividend. In addition, as it is our 10th anniversary, the board decided to reward and thank shareholders with an additional one off 4 cent per share special dividend payment. This special dividend was also fully franked.

In response to shareholder concern over the years in regards to Galston Financial Services share price, the board engaged our auditors Richmond Sinnot & Delahunty to undertake a formal valuation of the company's shares. Due to the unique model of our business the share valuation provided is slightly broader in range than for more typical business structures. The shares have come in at a value of between \$1.45 and \$2.00 per share. This price will soon be published on the website as a guide only for shareholders and does not represent any opinion or view of the company or its directors as ultimately the market determines the price.

This year also brought about the Franchise Agreement renewal with the Bendigo and Adelaide Bank. At this point the board has decided to exercise the second renewal period on the existing agreement which takes us to 2017 with another 5-year option

period available after that which would take us to 2022. The board decided against signing the new agreement, which would have given us options through to 2027, at this time. This is because the board felt there were several new clauses in this new agreement that could be detrimental to the strength of the company. We are currently working on a resolution with the Bendigo and Adelaide Bank, as both parties are keen to come to an agreement that keeps our branch running well into the future.

Year after year our staff at the bank continue to provide our customers with the high level of service that is needed for our banking model to be a success. I would like to take this opportunity to thank them for all their efforts and loyalty throughout the year.

Our sponsorship and donations requests have really increased significantly and we have been fortunate that our financial position allows us to back some of the larger applications with confidence and enthusiasm. In addition we are regularly supporting most of the schools, sporting clubs and special interest groups in the area with contributions on an annual basis.

Looking ahead we are expecting current trading conditions to continue. Shareholders will remember that in April 2011 Bendigo and Adelaide Bank decreased the profit share the branch receives on certain term deposits and fixed rate loans. The Board is expecting a second profit share adjustment from Bendigo and Adelaide Bank on these products next year, which will have a further negative effect on our profit. Overall though the board is confident the company will remain a strong profitable business with the ability to pay dividends to its shareholders and make significant contributions to our community.

Gavin Koorey

Chairman

Manager's Report

We are now in our eleventh financial year and the business has recorded a good solid result for the 2011/2012 year. Our profit result remained strong over this period and we were able to exceed our budget for the year. This means that our returns to shareholders and to our community can continue to be very positive.

By the end of the 2012 financial year our **Community Bank**[®] branch achieved the following milestones:

- Number of accounts over 5,000.
- Total deposits over \$91.8 million
- Total loans over \$44.3 million
- Total business over \$136.0 million
- Net profit before tax and Sponsorships & Donations was over \$707,000-
- Dividends returned to shareholders were 13 cents for every share fully franked.
- Sponsorships, donations and community grants paid totalled over \$322,000.

I believe the Board, shareholders, customers and staff can justifiably be proud of the above achievements as economic activity was subdued especially in the loans area with many customers retiring debt and little new loan activity.

Business activity has started well for the first 3 months of the current financial year and the branch experienced a growth of business in the first 3 months of this year. Whilst both loans and deposits grew initially, loans did contract again in September. Our current position as at 30th September 2011 is as follows:

- Total growth \$6.12 million
- Total deposits growth \$5.16 million
- Total loans growth \$0.96 million.
- Total business as at 30/9/12 sits at over \$142.29 million
- Total number of accounts as at 30/9/12 is 5,044
- Net profit before tax and after Sponsorships and Donations have been added back is \$178,012- as at 30/9/12.
- Sponsorships, donations and community grants paid so far this year is \$75,748- with another \$103,256- committed as at the end of September.

We continue to maintain a viable banking service whilst at the same time providing good returns for local shareholders and making a great contribution back to the community.

I would like to take this opportunity to thank the following:

- The Board of Directors for being so committed to their local community and providing the overall direction and support for the branch.
- The staff for providing an efficient and professional service both to the bank and its customers as well as to our local shareholders.
- To the shareholders and all of our customers for the support that they continue to give to their local **Community Bank**[®] branch which makes all of the above possible.

Bernie Triebe

Branch Manager