



Great Southern Community Financial Services Limited

ABN 75 089 136 121

2023 ANNUAL REPORT

Great Southern Community Financial Services Limited

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25 Gathorne Street, Cranbrook, WA 6321
08 9826 1777

Bendigo and Adelaide Bank Limited

The Bendigo Centre, Bendigo, VIC 3550
ABN 11 068 049 178. AFSL 237 879



Supporting Your Community
Community Bank
Tambellup Cranbrook



Chairmans Report 30th June 2023

Welcome all,

It is my pleasure to present the Great Southern Community Financial Services Limited Chairpersons report.

This has been a year of solid growth in a changing environment. Interest rate increases, commodity price fluctuations, dry conditions along with political influences have all been impactors for us and our customers.

In contrast last year's report spoke of record low interest rates; this year we ponder how high it will go?

A fantastic result was had with our book value increasing from \$83m to \$90m. It did break the \$100M barrier throughout the year.

Rachael Nicholls and the team have put in a great effort this year not only having retail deposit growth but also having lending growth in a market with increasing interest rates.

Rachael's team; Chloe Lambert and Paula Taylor have been working hard throughout the year to meet our customer needs. Our team were standouts at the state awards sharing the podium on many of the key metrics for a successful community bank.

This year we have farewelled Olivia Dawson who has moved on, we have welcomed Paula Taylor to our customer service team.

In November Anne Marie Lockyer retired after 13 years as Director but remains Honorary Company Secretary. She has been a wealth of knowledge and a dedicated, hardworking board member. Anne Marie has put so much into being a director it is difficult to acknowledge and recognise her efforts. On behalf of the board, thank you and we wish you all the very best in the future.

We have also been fortunate to have Natalie Wynen join our board this year, she is already a valuable contributor, and the board is grateful to have her input.

This year we have contributed more than \$20,000 of Community Investments by the way of donations and sponsorship to our local community groups in all our towns and it's great to see these funds get used in positive ways to improve the quality of our communities. We also contributed more than \$150,000 to the Community Enterprise Foundation for use in later years or towards a large project.

Our board is always looking for new talent so if you are looking for new and exciting ways to grow and develop whilst helping your community, please give me a call.

It's been a pleasure to chair the board this year, it's been great to work with my fellow directors, staff, administration and our partners in the Bendigo Bank group who have all been dedicated in working towards a collective goal. The board would like to thank you all for your hard work and contributions.

This coming year may have some surprises ahead though I'm confident that we are well placed to succeed in the current environment.

Yours sincerely



Daniel Barbour
GSCFSL Chairperson

Manager's report

For year ending 30 June 2023

Across the industry we saw an increase in the number of scams and card fraud which challenges us to look at how we can further protect our customers. New eID technology for internet banking and more in-depth discussions in branch were introduced to ensure we are minimizing any risk.

We finished the 2022/23 financial year in a strong position. Increased margins presented us with an opportunity to grow in our retail deposit portfolio and despite increasing interest rates we still achieved lending growth of 45.52%. The branch continued to focus on supporting our existing customers with discussions around home loan interest rates and investment options.

We finished up the year with a lending book value up 4.93% from FY 21/22, achieving 55.09% of our forecasted budget. There was a softening in the housing market in the latter part of 2021 which continued through 2022 as interest rates increased.

With the increase in investment interest rates our Deposit book grew 4.54% from FY 21/22 achieving 111.17% of our forecasted budget.

The year ahead will see us continue to focus on growth in our retail lending portfolio and with margins remaining strong sees us in a steady position for the new financial year.

In late 2022 we welcomed Paula Taylor into the team as a Customer Service Officer. Paula has returned with her family to Cranbrook after 20 years residing in Perth.

We said goodbye to Liv Dawson and wish her well in her future endeavours.

Community Bank Tambellup Cranbrook is one of 35+ Branches across Western Australia and we were nominated in 5 different categories in the Bendigo Bank State Awards (FY 23 July to Dec).

We came runner-up across 4 categories relating to Agri-business, Wealth and Operational Excellence and our own Chloe Lambert took out the Insurance Champion Award.

I would like to thank each team member for their commitment and dedication in growing the business.

Thank you to the Great Southern Community Financial Services Limited Board whose ongoing support ensures that we will continue to be able to provide services in Cranbrook, Tambellup and surrounding areas.

Finally, a huge thank you to our customers, your support is instrumental to our success and does not go unnoticed. You continue to be our number one advocate and help us to share our story and give back to our communities.

Rachael Nicholls

Rachael Nicholls
Branch Manager

Community Bank Report 2023
BEN Message
August 2023

Community and customer will always be at the heart of what we do at Bendigo and Adelaide Bank.

Together, we're setting up Community Banking for the future - growing our impact as a leading social impact movement to transform communities across Australia.

As we continue to evolve to meet the needs of our customers, we should feel proud that more Australians are choosing to do their banking with us and trust us with their financial goals. Our position as Australia's most trusted bank (Roy Morgan) reflects the esteem we are held in by our customers, and communities.

This year has been particularly significant for us. After five years apart, we had the opportunity to come together in person and connect through our State Connect program and in Bendigo at our National Conference in September. It has also been a record-breaking year for Community Bank with more than \$32 million invested into local communities nationwide. This is our highest year on record and underscores our ongoing commitment to our customers and communities.

Reflecting on the 25 years since we opened our first Community Bank, I'm so grateful to the hard work of many passionate Directors (past and present). Everything we have done and continue to do is focused on our purpose to feed into the prosperity of our customers and communities, not off it.

On behalf of the Bank, thank you for continuing to play an essential role in supporting your community. I look forward to seeing us grow together and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Great Southern Community Financial Services Ltd.

ABN 75 089 136 121

Financial Report - 30 June 2023

Great Southern Community Financial Services Ltd.
Directors' report
30 June 2023

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2023.

Directors

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

Name:	Daniel Barbour
Title:	Non-executive director
Experience and expertise:	Elders Branch Manager. Daniel has previously worked as a farm hand, CEO of Southern Renewable Fuels, Manager of Dalton Paper and Director of 3D Strategic Solutions. Daniel has an Executive Masters of Business Administration.
Special responsibilities:	Chairman
Name:	Andrew James Murray
Title:	Non-executive director
Experience and expertise:	Self Employed. Andrew is the owner of his business AA Contractors, Earthmoving and Freight . He is the chair of the National Future Leaders Forum for the Bendigo Bank. He is also a member of the Steering committee for Project Horizon and the WA state security working group for the Bendigo Bank. Currently Secretary/Treasurer and Captain of Frankland Town Bush Fire Brigade and Vice President of the Frankland Bowling Club. Andrew managed a corporate vineyard in Frankland for 16 and a family farm for 10 years.
Special responsibilities:	Deputy Chair, Member of Human Resources Sub-Committee and BEN State Marketing Committee
Name:	Diana Kim Taylor
Title:	Non-executive director
Experience and expertise:	Farmer. Diana holds a Bachelor Degree in Commerce and currently works as a bookkeeper at Pascoes Accounting and Advisory in Kojonup. Previously she has been a Treasurer with the Tambellup Parents and Citizens Association, Administrator and Treasurer at Tennis West Great Southern and worked as a staff member at the Tambellup Cranbrook Community Bank.
Special responsibilities:	Treasurer
Name:	Natalie Wynen
Title:	Non-executive director (appointed 7 September 2022)
Experience and expertise:	Natalie has been a Police Officer for the past 20 years, commencing in General Duties Policing before being selected for and successfully completing their Detective training in 2008. Natalie has spent many years as a Detective attached to the Child Abuse Squad before being promoted to Sergeant in 2018. Since joining WAPOL Natalie dreamed of having her "own" little country Police station once their own children had left home, which resulted in their move to Cranbrook in June 2021
Special responsibilities:	Nil
Name:	Anne-Marie Lockyer
Title:	Non-executive director (resigned 23 November 2022)
Experience and expertise:	Self-employed Farmer. Anne-Marie's experience is in the administration, human resource and financial side of small business prior to returning to the country and working as an active partner in the family farming enterprise. She has fulfilled various roles in voluntary organisations throughout the community from agri-business development through historical and heritage committees, service organisations and sporting clubs. Her interests include campaigning for rural and regional equity and community strengthening. Anne-Marie still remains as the company the secretary for Great Southern Community Financial Services Ltd.
Special responsibilities:	Company Secretary, Marketing Sub-Committee and Finance Sub-Committee

Great Southern Community Financial Services Ltd.
Directors' report
30 June 2023

Name: Stevie Maree Egerton-Warburton
Title: Non-executive director (resigned 23 November 2022)
Experience and expertise: Civil Engineer. Stevie has a Bachelor of Engineering (Civil) with honours and a certificate IV in Business. She is also a member of the Frankland River Country Womens Association.
Special responsibilities: Nil

Name: Linda Grey
Title: Non-executive director (appointed 7 September 2022, resigned 21 September 2022)
Experience and expertise:

Company secretary

The company secretary is Anne-Marie Lockyer. Anne-Marie was appointed to the position of company secretary on 24 November 2016.

Principal activity

The principal activity of the company during the financial year was facilitating Community Bank services under management rights of Bendigo and Adelaide Bank Limited (Bendigo Bank).

There have been no significant changes in the nature of this activity during the financial year.

Review of operations

The profit for the company after providing for income tax amounted to \$174,622 (30 June 2022: loss of \$4,196).

The company has seen a significant increase in its revenue during the financial year. This is a result of the Reserve Bank of Australia (RBA) increasing the cash rate by 3.25% during the financial year moving from 0.85% to 4.10% as at 30 June 2023. The increased cash rate has had a direct impact on the revenue received by the company, increasing the net interest margin income received under the revenue share arrangement the company has with Bendigo Bank.

Dividends

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

	2023
	\$
Fully franked dividend of 4 cents per share (2022: nil cents)	<u><u>11,710</u></u>

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments

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

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Meetings of directors

The number of directors meetings (including meetings of committees of directors) attended by each of the directors of the company during the financial year were:

Great Southern Community Financial Services Ltd.
Directors' report
30 June 2023

	Board Eligible	Attended
Daniel Barbour	11	10
Andrew James Murray	11	8
Diana Kim Taylor	11	11
Natalie Wynen	10	8
Linda Grey	1	1
Anne-Marie Lockyer	6	6
Stevie Maree Egerton-Warburton	5	-

Directors' benefits

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

Directors' interests

The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Daniel Barbour	-	-	-
Andrew James Murray	2,000	-	2,000
Diana Kim Taylor	500	-	500
Natalie Wynen	-	-	-
Linda Grey	-	-	-
Anne-Marie Lockyer	1,000	-	1,000
Stevie Maree Egerton-Warburton	-	-	-

Indemnity and insurance of directors and officers

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

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnity and insurance of auditor

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

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

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 27 to the accounts.

Great Southern Community Financial Services Ltd.
Directors' report
30 June 2023

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of the non-audit services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality, integrity and objectivity of the auditor
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the company, acting as an advocate for the company or jointly sharing risks and rewards.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this directors' report.

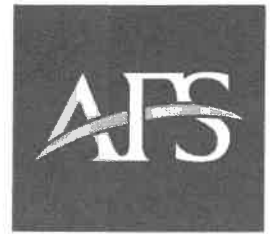
This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Daniel Barbour
Chair

8 September 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

Independent auditor's independence declaration under section 307C of the *Corporations Act 2001* to the Directors of Great Southern Community Financial Services Ltd.

As lead auditor for the audit of Great Southern Community Financial Services Ltd. for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 8 September 2023

Joshua Griffin
Lead Auditor

Great Southern Community Financial Services Ltd.
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Revenue from contracts with customers	7	798,751	359,532
Other revenue	8	21,242	30,000
Finance revenue		9,386	1,303
Total revenue		829,379	390,835
Employee benefits expense	9	(232,196)	(212,627)
Advertising and marketing costs		(8,939)	(7,270)
Occupancy and associated costs		(12,224)	(11,829)
System costs		(23,987)	(27,331)
Depreciation and amortisation expense	9	(35,775)	(38,210)
Finance costs		(2,879)	(3,066)
General administration expenses		(77,409)	(77,945)
Total expenses before community contributions and income tax		(393,409)	(378,278)
Profit before community contributions and income tax expense		435,970	12,557
Charitable donations, sponsorships and grants expense	9	(202,875)	(17,826)
Profit/(loss) before income tax (expense)/benefit		233,095	(5,269)
Income tax (expense)/benefit	10	(58,473)	1,073
Profit/(loss) after income tax (expense)/benefit for the year	21	174,622	(4,196)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		174,622	(4,196)
		Cents	Cents
Basic earnings per share	29	59.65	(1.43)
Diluted earnings per share	29	59.65	(1.43)

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

Great Southern Community Financial Services Ltd.
Statement of financial position
As at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	11	378,855	218,486
Trade and other receivables	12	81,280	46,886
Total current assets		<u>460,135</u>	<u>265,372</u>
Non-current assets			
Property, plant and equipment	13	82,459	64,365
Right-of-use assets	14	68,236	74,169
Intangible assets	15	18,513	31,582
Deferred tax assets	10	-	8,506
Total non-current assets		<u>169,208</u>	<u>178,622</u>
Total assets		<u>629,343</u>	<u>443,994</u>
Liabilities			
Current liabilities			
Trade and other payables	16	26,347	31,655
Borrowings	17	-	7,788
Lease liabilities	18	5,578	5,384
Current tax liabilities	10	43,774	-
Employee benefits	19	18,744	7,477
Total current liabilities		<u>94,443</u>	<u>52,304</u>
Non-current liabilities			
Trade and other payables	16	-	14,939
Borrowings	17	-	10,631
Lease liabilities	18	72,175	77,753
Deferred tax liabilities	10	6,193	-
Employee benefits	19	8,289	3,059
Lease make good provision		666	643
Total non-current liabilities		<u>87,323</u>	<u>107,025</u>
Total liabilities		<u>181,766</u>	<u>159,329</u>
Net assets		<u>447,577</u>	<u>284,665</u>
Equity			
Issued capital	20	292,750	292,750
Retained earnings/(accumulated losses)	21	154,827	(8,085)
Total equity		<u>447,577</u>	<u>284,665</u>

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

Great Southern Community Financial Services Ltd.
Statement of changes in equity
For the year ended 30 June 2023

	Note	Issued capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2021		292,750	(3,889)	288,861
Loss after income tax benefit		-	(4,196)	(4,196)
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	(4,196)	(4,196)
Balance at 30 June 2022		<u>292,750</u>	<u>(8,085)</u>	<u>284,665</u>
 Balance at 1 July 2022		<u>292,750</u>	<u>(8,085)</u>	<u>284,665</u>
Loss after income tax benefit		-	174,622	174,622
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	174,622	174,622
 <i>Transactions with owners in their capacity as owners:</i>				
Dividends provided for	23	-	(11,710)	(11,710)
Balance at 30 June 2023		<u>292,750</u>	<u>154,827</u>	<u>447,577</u>

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

Great Southern Community Financial Services Ltd.
Statement of cash flows
For the year ended 30 June 2023

	Note	2023	2022
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		870,778	426,840
Payments to suppliers and employees (inclusive of GST)		(644,643)	(401,686)
Interest received		6,143	754
Income taxes refunded		-	3,305
Net cash provided by operating activities	28	<u>232,278</u>	<u>29,213</u>
Cash flows from investing activities			
Payments for property, plant and equipment	13	(50,601)	(1,440)
Payments for intangible assets		(14,939)	(13,581)
Proceeds from disposal of property, plant and equipment		32,000	-
Net cash used in investing activities		<u>(33,540)</u>	<u>(15,021)</u>
Cash flows from financing activities			
Proceeds from borrowings		(18,419)	(8,435)
Repayment of lease liabilities	18	(8,240)	(8,240)
Dividends paid	23	<u>(11,710)</u>	<u>-</u>
Net cash used in financing activities		<u>(38,369)</u>	<u>(16,675)</u>
Net increase/(decrease) in cash and cash equivalents		160,369	(2,483)
Cash and cash equivalents at the beginning of the financial year		<u>218,486</u>	<u>220,969</u>
Cash and cash equivalents at the end of the financial year	11	<u><u>378,855</u></u>	<u><u>218,486</u></u>

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 1. Reporting entity

The financial statements cover Great Southern Community Financial Services Ltd. (the company) as an individual entity, which is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is 36 Norrish Street, Tambellup, WA, 6320.

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

Note 2. Basis of preparation and statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial statements have been prepared on an accrual and historical cost basis and are presented in Australian dollars, which is the company's functional and presentation currency.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 8 September 2023. The directors have the power to amend and reissue the financial statements.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations

There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2022, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Current and non-current classification

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

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

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

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

Impairment

Non-derivative financial assets

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 3. Significant accounting policies (continued)

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2023.

Non-financial assets

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

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

Goods and Services Tax (GST)

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

Estimation of useful lives of assets

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

Impairment of non-financial assets

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

Recovery of deferred tax assets

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 4. Critical accounting judgements, estimates and assumptions (continued)

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations, comparison of terms and conditions to prevailing market rates, incurrence of significant penalties, existence of significant leasehold improvements and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the company estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Employee benefits provision

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

The company uses historical employee attrition rates in determining the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with long service leave legislation.

In the absence of sufficient historical employee attrition rates, the company applies a benchmark probability rate from across the Community Bank network to factor in estimating the probability of an employee, at a given date, achieving continuous employment eligible for entitlement in accordance with legislation.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Note 5. Correction of error

The prior year financial report incorrectly classified chattel mortgages relating to motor vehicles under 'lease liabilities' and the corresponding asset under 'right-of-use assets'. Upon further analysis of *AASB 16 Leases*, the correct classification should have been under 'borrowings' and 'property, plant and equipment'. We considered the discrepancy immaterial to users of the financial report, however we believe it is important to rectify the classification error. Therefore, the necessary corrections to the 2023 and 2022 disclosures have been made accordingly.

Note 6. Economic dependency

The company has entered into a franchise agreement with Bendigo Bank that governs the management of the Community Bank. The company is economically dependent on the ongoing receipt of income under the franchise agreement with Bendigo Bank. The directors have no reason to believe a new franchise arrangement under mutually acceptable terms will not be forthcoming following expiry in November 2024.

The company operates as a franchise of Bendigo Bank, using the name "Bendigo Bank" and the logo and system of operations of Bendigo Bank. The company manages the Community Bank on behalf of Bendigo Bank, however all transactions with customers conducted through the Community Bank are effectively conducted between the customers and Bendigo Bank.

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 6. Economic dependency (continued)

All deposits are made with Bendigo Bank, and all personal and investment products are products of Bendigo Bank, with the company facilitating the provision of those products. All loans, leases or hire purchase transactions, issues of new credit or debit cards, temporary or bridging finance and any other transaction that involves creating a new debt, or increasing or changing the terms of an existing debt owed to Bendigo Bank, must be approved by Bendigo Bank. All credit transactions are made with Bendigo Bank, and all credit products are products of Bendigo Bank.

The company promotes and sells the products and services, but is not a party to the transaction.

The credit risk (i.e. the risk that a customer will not make repayments) is for the Bendigo Bank to bear as long as the company has complied with the appropriate procedures and relevant obligations and has not exercised a discretion in granting or extending credit.

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

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

Note 7. Revenue from contracts with customers

	2023 \$	2022 \$
Margin income	605,031	201,591
Fee income	14,515	15,398
Commission income	179,205	142,543
	<u>798,751</u>	<u>359,532</u>

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

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

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

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 7. Revenue from contracts with customers (continued)

All revenue is stated net of the amount of GST. There was no revenue from contracts with customers recognised over time during the financial year.

Revenue calculation

The franchise agreement provides that three forms of revenue may be earned by the company which are margin, commission and fee income. Bendigo Bank decides the form of revenue the company earns on different types of products and services. The revenue earned by the company is dependent on the business that it generates, interest rates and funds transfer pricing and other factors, such as economic and local conditions

Margin income

Margin income on core banking products is arrived at through the following calculation:

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

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

Commission income

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

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

Fee income

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

Core banking products

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

Ability to change financial return

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

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

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

Note 8. Other revenue

	2023 \$	2022 \$
Market development fund	<u>21,242</u>	<u>30,000</u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 8. Other revenue (continued)

<u>Revenue stream</u>	<u>Revenue recognition policy</u>
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.

All revenue is stated net of the amount of GST.

Discretionary financial contributions

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

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

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

Note 9. Expenses

Employee benefits expense

	2023	2022
	\$	\$
Wages and salaries	191,887	181,748
Non-cash benefits	2,272	716
Superannuation contributions	19,137	17,995
Expenses related to long service leave	1,726	402
Other expenses	17,174	11,766
	<u>232,196</u>	<u>212,627</u>

Depreciation and amortisation expense

	2023	2022
	\$	\$
<i>Depreciation of non-current assets</i>		
Buildings	3,565	5,976
Leasehold improvements	815	815
Plant and equipment	3,875	4,155
Motor vehicles	8,518	8,263
	<u>16,773</u>	<u>19,209</u>
<i>Depreciation of right-of-use assets</i>		
Leased land and buildings	<u>5,933</u>	<u>5,933</u>
<i>Amortisation of intangible assets</i>		
Franchise fee	2,179	2,177
Franchise renewal fee	10,890	10,891
	<u>13,069</u>	<u>13,068</u>
	<u>35,775</u>	<u>38,210</u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 9. Expenses (continued)

Leases recognition exemption

	2023	2022
	\$	\$
Expenses relating to low-value leases	<u>8,042</u>	<u>10,087</u>

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

Charitable donations, sponsorships and grants

	2023	2022
	\$	\$
Direct donation, sponsorship and grant payments	23,928	17,826
Contribution to the Community Enterprise Foundation™	<u>157,895</u>	<u>-</u>
	<u>181,823</u>	<u>17,826</u>

The overarching philosophy of the Community Bank model, is to support the local community in which the company operates. This is achieved by circulating the flow of financial capital into the local economy through community contributions (such as donations, sponsorships and grants).

The funds contributed to and held by the Community Enterprise Foundation™ (CEF) are available for distribution as grants to eligible applicants for a specific purpose in consultation with the directors.

When the company pays a contribution in to the CEF, the company loses control over the funds at that point. While the directors are involved in the payment of grants, the funds are not refundable to the company.

Note 10. Income tax

	2023	2022
	\$	\$
<i>Income tax expense/(benefit)</i>		
Current tax	43,774	-
Movement in deferred tax	1,469	(3,104)
Recoupment of prior year tax losses	<u>13,230</u>	<u>2,031</u>
Aggregate income tax expense/(benefit)	<u>58,473</u>	<u>(1,073)</u>
<i>Prima facie income tax reconciliation</i>		
Profit/(loss) before income tax (expense)/benefit	<u>233,095</u>	<u>(5,269)</u>
Tax at the statutory tax rate of 25%	58,274	(1,317)
Tax effect of:		
Non-deductible expenses	<u>199</u>	<u>244</u>
Income tax expense/(benefit)	<u>58,473</u>	<u>(1,073)</u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 10. Income tax (continued)

	2023 \$	2022 \$
<i>Deferred tax assets/(liabilities)</i>		
Carried-forward tax losses	-	13,230
Property, plant and equipment	(15,422)	(10,110)
Employee benefits	6,846	2,634
Lease liabilities	19,438	20,784
Provision for lease make good	167	161
Accrued expenses	1,000	700
Income accruals	(1,163)	(351)
Right-of-use assets	(17,059)	(18,542)
	<u>(6,193)</u>	<u>8,506</u>
Deferred tax asset/(liability)	<u>(6,193)</u>	<u>8,506</u>
	2023 \$	2022 \$
Provision for income tax	<u>43,774</u>	<u>-</u>

Accounting policy for income tax

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

Accounting policy for current tax

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

Accounting policy for deferred tax

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

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

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

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

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

Note 11. Cash and cash equivalents

	2023 \$	2022 \$
Cash at bank and on hand	<u>378,855</u>	<u>218,486</u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 11. Cash and cash equivalents (continued)

Accounting policy for cash and cash equivalents

For the purposes of the Statement of Financial Position and Statement of Cash Flows, cash and cash equivalents comprise cash on hand and deposits held with banks.

Note 12. Trade and other receivables

	2023	2022
	\$	\$
Trade receivables	70,506	37,813
Accrued income	4,649	1,405
Prepayments	6,125	7,668
	<u>10,774</u>	<u>9,073</u>
	<u><u>81,280</u></u>	<u><u>46,886</u></u>

Accounting policy for trade and other receivables

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

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

Note 13. Property, plant and equipment

	2023	2022
	\$	\$
Buildings - at cost	121,002	121,002
Less: Accumulated depreciation	<u>(91,285)</u>	<u>(87,720)</u>
	<u>29,717</u>	<u>33,282</u>
Leasehold improvements - at cost	154,431	154,431
Less: Accumulated depreciation	<u>(148,663)</u>	<u>(147,848)</u>
	<u>5,768</u>	<u>6,583</u>
Plant and equipment - at cost	75,859	69,420
Less: Accumulated depreciation	<u>(68,695)</u>	<u>(64,820)</u>
	<u>7,164</u>	<u>4,600</u>
Motor vehicles - at cost	44,162	41,316
Less: Accumulated depreciation	<u>(4,352)</u>	<u>(21,416)</u>
	<u>39,810</u>	<u>19,900</u>
	<u><u>82,459</u></u>	<u><u>64,365</u></u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 13. Property, plant and equipment (continued)

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

	Buildings \$	Leasehold improvements \$	Plant and equipment \$	Motor Vehicle \$	Total \$
Balance at 1 July 2021	39,258	7,398	7,315	28,163	82,134
Additions	-	-	1,440	-	1,440
Depreciation	(5,976)	(815)	(4,155)	(8,263)	(19,209)
Balance at 30 June 2022	33,282	6,583	4,600	19,900	64,365
Additions	-	-	6,439	44,162	50,601
Disposals	-	-	-	(15,734)	(15,734)
Depreciation	(3,565)	(815)	(3,875)	(8,518)	(16,773)
Balance at 30 June 2023	<u>29,717</u>	<u>5,768</u>	<u>7,164</u>	<u>39,810</u>	<u>82,459</u>

Accounting policy for property, plant and equipment

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

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

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

Building	20 years
Leasehold improvements	5 to 20 years
Plant and equipment	2.5 to 10 years
Motor vehicles	5 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Changes in estimates

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

Note 14. Right-of-use assets

	2023 \$	2022 \$
Land and buildings - right-of-use	120,314	120,314
Less: Accumulated depreciation	<u>(52,078)</u>	<u>(46,145)</u>
	<u>68,236</u>	<u>74,169</u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 14. Right-of-use assets (continued)

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

	Land and buildings \$
Balance at 1 July 2021	80,102
Depreciation expense	(5,933)
Balance at 30 June 2022	74,169
Depreciation expense	(5,933)
Balance at 30 June 2023	68,236

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Refer to note 18 for more information on lease arrangements.

Note 15. Intangible assets

	2023 \$	2022 \$
Franchise fee	52,233	52,233
Less: Accumulated amortisation	(49,147)	(46,968)
	3,086	5,265
Franchise renewal fee	111,163	111,163
Less: Accumulated amortisation	(95,736)	(84,846)
	15,427	26,317
	18,513	31,582

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

	Franchise fee \$	Franchise renewal fee \$	Total \$
Balance at 1 July 2021	7,442	37,208	44,650
Amortisation expense	(2,177)	(10,891)	(13,068)
Balance at 30 June 2022	5,265	26,317	31,582
Amortisation expense	(2,179)	(10,890)	(13,069)
Balance at 30 June 2023	3,086	15,427	18,513

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 15. Intangible assets (continued)

Accounting policy for intangible assets

Intangible assets of the company relate to the franchise fees paid to Bendigo Bank which conveys the right to operate the Community Bank franchise.

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

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

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

<u>Asset class</u>	<u>Method</u>	<u>Useful life</u>	<u>Expiry/renewal date</u>
Franchise fee	Straight-line	Over the franchise term (5 years)	November 2024
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	November 2024

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

Change in estimates

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

Note 16. Trade and other payables

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	2,114	2,448
Other payables and accruals	24,233	29,207
	<u>26,347</u>	<u>31,655</u>
<i>Non-current liabilities</i>		
Other payables and accruals	-	14,939

Accounting policy for trade and other payables

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

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 17. Borrowings

	2023 \$	2022 \$
<i>Current liabilities</i>		
Chattel mortgage	-	8,437
Unexpired interest	-	(649)
	<u>-</u>	<u>7,788</u>
<i>Non-current liabilities</i>		
Chattel mortgage	-	10,991
Unexpired interest	-	(360)
	<u>-</u>	<u>10,631</u>

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 18. Lease liabilities

	2023 \$	2022 \$
<i>Current liabilities</i>		
Land and buildings lease liabilities	8,241	8,240
Unexpired interest	(2,663)	(2,856)
	<u>5,578</u>	<u>5,384</u>
<i>Non-current liabilities</i>		
Land and buildings lease liabilities	86,522	94,762
Unexpired interest	(14,347)	(17,009)
	<u>72,175</u>	<u>77,753</u>

Reconciliation of lease liabilities

	2023 \$	2022 \$
Opening balance	83,137	88,333
Lease interest expense	2,856	3,044
Lease payments - total cash outflow	(8,240)	(8,240)
	<u>77,753</u>	<u>83,137</u>

Maturity analysis

	2023 \$	2022 \$
Not later than 12 months	8,241	8,240
Between 12 months and 5 years	32,961	32,964
Greater than 5 years	53,561	61,798
	<u>94,763</u>	<u>103,002</u>

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 18. Lease liabilities (continued)

Accounting policy for lease liabilities

Lease liabilities were measured at amounts equal to the present value of enforceable future payments of the term reasonably expected to be exercised, discounted at the appropriate incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected not to separate lease and non-lease components when calculating the lease liability.

The company has applied judgement in estimating the remaining lease term including the effects of any extension options reasonably expected to be exercised, applying hindsight where appropriate.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the company changes its assessment of whether it will exercise an extension option, or if there is a revised in-substance fixed lease payment.

The company assesses at the lease commencement date whether it is reasonably certain to exercise extension options. The company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Where the company is a lessee for the premises to conduct its business, extension options are included in the lease term except when the company is reasonably certain not to exercise the extension option. This is due to the significant disruption of relocating premises and the loss on disposal of leasehold improvements fitted out in the leased premises.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The company's lease portfolio includes:

Lease	Discount rate	Non-cancellable term	Renewal options available	Reasonably certain to exercise options	Lease term end
Tambellup branch	3.54%	5 years	2 x 5 years	Yes	January 2035

Note 19. Employee benefits

	2023	2022
	\$	\$
<i>Current liabilities</i>		
Annual leave	<u>18,744</u>	<u>7,477</u>
<i>Non-current liabilities</i>		
Long service leave	<u>8,289</u>	<u>3,059</u>

Accounting policy for employee benefits

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

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 19. Employee benefits (continued)

Superannuation contributions

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

Short-term employee benefits

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

Other long-term employee benefits

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

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

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

Note 20. Issued capital

	2023 Shares	2022 Shares	2023 \$	2022 \$
Ordinary shares - fully paid	<u>292,750</u>	<u>292,750</u>	<u>292,750</u>	<u>292,750</u>

Accounting policy for issued capital

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

Rights attached to issued capital

Ordinary shares

Voting rights

Subject to some limited exceptions, each member has the right to vote at a general meeting.

On a show of hands or a poll, each member attending the meeting (whether they are attending the meeting in person or by attorney, corporate representative or proxy) has one vote, regardless of the number of shares held. However, where a person attends a meeting in person and is entitled to vote in more than one capacity (for example, the person is a member and has also been appointed as proxy for another member) that person may only exercise one vote on a show of hands. On a poll, that person may exercise one vote as a member and one vote for each other member that person represents as duly appointed attorney, corporate representative or proxy.

The purpose of giving each member only one vote, regardless of the number of shares held, is to reflect the nature of the company as a community based company, by providing that all members of the community who have contributed to the establishment and ongoing operation of the Community Bank branch have the same ability to influence the operation of the company.

Dividends

Generally, dividends are payable to members in proportion to the amount of the share capital paid up on the shares held by them, subject to any special rights and restrictions for the time being attaching to shares. The franchise agreement with Bendigo Bank contains a limit on the level of profits or funds that may be distributed to shareholders. There is also a restriction on the payment of dividends to certain shareholders if they have a prohibited shareholding interest (see below).

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 20. Issued capital (continued)

Transfer

Generally, ordinary shares are freely transferable. However, the directors have a discretion to refuse to register a transfer of shares.

Subject to the foregoing, shareholders may transfer shares by a proper transfer effected in accordance with the company's constitution and the *Corporations Act 2001*.

Prohibited shareholding interest

A person must not have a prohibited shareholding interest in the company.

In summary, a person has a prohibited shareholding interest if any of the following applies:

- They control or own 10% or more of the shares in the company (the "10% limit").
- In the opinion of the board they do not have a close connection to the community or communities in which the company predominantly carries on business (the "close connection test").

As with voting rights, the purpose of this prohibited shareholding provision is to reflect the community-based nature of the company.

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and their associates) has a prohibited shareholding interest in are suspended.

The board has the power to request information from a person who has (or is suspected by the board of having) a legal or beneficial interest in any shares in the company or any voting power in the company, for the purpose of determining whether a person has a prohibited shareholding interest. If the board becomes aware that a member has a prohibited shareholding interest, it must serve a notice requiring the member (or the member's associate) to dispose of the number of shares the board considers necessary to remedy the breach. If a person fails to comply with such a notice within a specified period (that must be between three and six months), the board is authorised to sell the specified shares on behalf of that person. The holder will be entitled to the consideration from the sale of the shares, less any expenses incurred by the board in selling or otherwise dealing with those shares.

In the constitution, members acknowledge and recognise that the exercise of the powers given to the board may cause considerable disadvantage to individual members, but that such a result may be necessary to enforce the prohibition.

Note 21. Retained earnings/(accumulated losses)

	2023 \$	2022 \$
Accumulated losses at the beginning of the financial year	(8,085)	(3,889)
Profit/(loss) after income tax (expense)/benefit for the year	174,622	(4,196)
Dividends paid (note 23)	(11,710)	-
Retained earnings/(accumulated losses) at the end of the financial year	<u>154,827</u>	<u>(8,085)</u>

Note 22. Capital management

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

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 22. Capital management (continued)

The distribution limit is the greater of:

- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the company over that 12 month period where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the financial year can be seen in the statement of profit or loss and other comprehensive Income.

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

Note 23. Dividends

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

	2023 \$	2022 \$
Fully franked dividend of 4 cents per share (2022: nil cents)	11,710	-

Franking credits

	2023 \$	2022 \$
Franking account balance at the beginning of the financial year	73,861	77,166
Franking credits (debits) arising from income taxes paid (refunded)	(3,903)	(3,305)
	69,958	73,861

Franking transactions that will arise subsequent to the financial year end:

Balance at the end of the financial year	69,958	73,861
Franking credits (debits) that will arise from payment (refund) of income tax	43,774	-
Franking credits available for future reporting periods	113,732	73,861

The ability to utilise franking credits is dependent upon the company's ability to declare dividends. The tax rate at which future dividends will be franked is 25%.

Accounting policy for dividends

Dividends are recognised in the financial year they are declared.

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 24. Financial instruments

	2023 \$	2022 \$
Financial assets		
Trade and other receivables	75,155	39,218
Cash and cash equivalents	378,855	218,486
	<u>454,010</u>	<u>257,704</u>
Financial liabilities		
Trade and other payables	26,347	46,594
Lease liabilities	77,753	83,137
Chattel mortgage	-	10,631
	<u>104,100</u>	<u>140,362</u>

Accounting policy for financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments include trade debtors and creditors, cash and cash equivalents and lease liabilities.

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

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

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

Financial risk management

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

Market risk

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

Interest-bearing assets and liabilities are held with Bendigo Bank and earnings on those are subject to movements in market interest rates. The company held cash and cash equivalents of \$378,855 at 30 June 2023 (2022: \$218,486).

Price risk

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

Credit risk

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

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 24. Financial instruments (continued)

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings, Bendigo Bank is rated BBB+ on Standard & Poor's credit ratings.

Liquidity risk

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

Exposure to liquidity risk

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

	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2023				
Trade and other payables	26,347	-	-	26,347
Lease liabilities	8,241	32,961	53,561	94,763
Total non-derivatives	34,588	32,961	53,561	121,110
	1 year or less \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
2022				
Chattel mortgage	7,788	10,631	-	18,419
Trade and other payables	31,655	14,939	-	46,594
Lease liabilities	8,240	32,964	61,798	103,002
Total non-derivatives	47,683	58,534	61,798	168,015

Note 25. Key management personnel disclosures

The following persons were directors of Great Southern Community Financial Services Ltd. during the financial year and/or up to the date of signing of these Financial Statements.

Daniel Barbour
 Andrew James Murray
 Diana Kim Taylor
 Natalie Wynen

Linda Grey
 Anne-Marie Lockyer
 Stevie Maree Egerton-Warburton

No director of the company receives remuneration for services as a company director or committee member.

Note 26. Related party transactions

The following transactions occurred with related parties:

	2023 \$	2022 \$
The company had transactions with entities where a director was also a board member of that entity during the period. These related to sponsorships and marketing expenses and totaled:	1,677	-

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 26. Related party transactions (continued)

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

Note 27. Remuneration of auditors

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

	2023 \$	2022 \$
<i>Audit services</i>		
Audit or review of the financial statements	6,800	6,000
<i>Other services</i>		
Taxation advice and tax compliance services	1,433	1,325
General advisory services	3,430	3,380
Share registry services	4,121	2,908
	8,984	7,613
	15,784	13,613

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

	2023 \$	2022 \$
Profit/(loss) after income tax (expense)/benefit for the year	174,622	(4,196)
Adjustments for:		
Depreciation and amortisation	35,775	38,210
Lease liabilities interest	2,856	3,044
Change in operating assets and liabilities:		
Increase in trade and other receivables	(34,394)	(1,415)
Decrease in income tax refund due	-	3,305
Decrease/(increase) in deferred tax assets	8,506	(1,073)
Increase in other operating assets	(16,266)	-
Decrease in trade and other payables	(5,308)	(8,203)
Increase in provision for income tax	43,774	-
Increase in deferred tax liabilities	6,193	-
Increase/(decrease) in employee benefits	16,497	(481)
Increase in other provisions	23	22
Net cash provided by operating activities	232,278	29,213

Note 29. Earnings per share

	2023 \$	2022 \$
Profit/(loss) after income tax	174,622	(4,196)

Great Southern Community Financial Services Ltd.
Notes to the financial statements
30 June 2023

Note 29. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>292,750</u>	<u>292,750</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>292,750</u>	<u>292,750</u>
	Cents	Cents
Basic earnings per share	59.65	(1.43)
Diluted earnings per share	59.65	(1.43)

Accounting policy for earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Great Southern Community Financial Services Ltd. , by the weighted average number of ordinary shares outstanding during the financial year.

Note 30. Commitments

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

Note 31. Contingencies

There were no contingent liabilities or contingent assets at the date of this report.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Great Southern Community Financial Services Ltd.
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Daniel Barbour
Chair

8 September 2023



Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550
ABN: 65 684 604 390
afs@afsbendigo.com.au
(03) 5443 0344

Independent auditor's report to the Directors of Great Southern Community Financial Services Ltd.

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Great Southern Community Financial Services Ltd. (the company), which comprises:

- Statement of financial position as at 30 June 2023
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Great Southern Community Financial Services Ltd., is in accordance with the *Corporations Act 2001*, including:

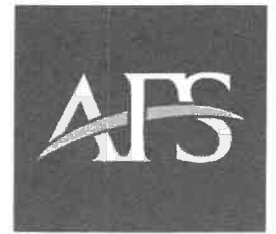
- i. giving a true and fair view of the company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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



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Other Information

The other information comprises the information included in the company's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. The annual report may also include "other information" on the company's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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

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

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

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

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

The directors are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists.



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Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

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

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 8 September 2023

Joshua Griffin
Lead Auditor