

**Great Southern
Community Financial
Services Limited**

ABN 75 089 136 121

**Tambellup Cranbrook
Community Bank® Branch**



**2010
ANNUAL REPORT**

Great Southern Community Financial Services Limited
36 Norrish Street, Tambellup, WA 6320 08 9825 1333
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

2010 Chairman's Report

The Tambellup Cranbrook Community Bank Branch of the Bendigo Bank has again shown that even in times of uncharted financial conditions we still remain a strong, profitable community focused company

In the Financial Year ended 30th June 2010 we allocated approximately \$55,000 to community contributions including the Weather Station for the Frankland River area, the Fredrick Square sporting development in Cranbrook, Educational Interactive White Boards for the students of Tambellup and to both Cranbrook and Frankland River Bowling Clubs amongst many others.

All this whilst still contributing with our Albany and Mt Barker cousins to be the major sponsors of the Great Southern Regional Netball, Cricket and Golf as well as the Great Southern Art Trail. As you can see our support is across all facets of community organisations and this brings our total community contribution since inception to approximately \$215,000.

Whilst we are ever mind full of our community contributions we are also committed to giving a solid return to our shareholders and to 2009 our total return to investors in our company was \$75,000. It will give me great pleasure to announce our Fully Franked Dividend, our 5th consecutive dividend payment at our Annual General Meeting.

We are currently managing a portfolio in excess of \$55 million and with our community engagement at such a high level, I think you will all agree that in small communities such as ours this is a very impressive result.

Once again I would like to thank our friendly and courteous Staff, Geoff, Johanna, Amy, Kathryn and Vicky for their service to the customers of the bank and the Board.

As you know Geoff and Penny have moved on to Mission Beach to take up the Branch Manager position there and we wish them all the best and Kathryn has also moved on to work at the Tambellup Primary School and we wish her all the best as well. In previous times when we have been without a Bank Manager for a short period, our professional staff have continued to assist our customers with their continued efficiency and welcoming smiles so that there has been no disruption to the day to day business of the Tambellup and Cranbrook Branches and in the past few months, there has been no exception.

The Board is humbled and grateful for the support that our communities have shown to the concept of Community Bank and the tangible results of your support can now be seen in all the communities that support us.

We are currently also assessing the way we communicate with our communities and assist them with their projects. As a part of this in the coming year we will be conducting community consultations within our two shires to review the way our support is offered and received and in doing this we will cement our position as a community partner into the future.

To all Directors, and Support Staff on behalf of the Shareholders, I thank you for your efforts over the past 12 months and look forward to working with you in the coming 12 months.

Our Partners, Bendigo and Adelaide Bank Limited through their very capable and dedicated staff have once again provided us with a solid and stable enterprise to help build our communities. It gives me great

pleasure to announce the return of Keith McLuckie as our new Regional Manager replacing Frank Benagusta and on behalf of you all, welcome David Borneo who is taking over from Vicky Pearce as State Manager.

Thanks to both Frank and Vicky from the board for another successful 12 months and we wish you both well in the future and we look forward to seeing Keith and David in this wonderful part of the world. Finally, our Bank is in a strong position going into the next financial year and is a viable asset to our communities producing tangible outcomes for all the members of our Region. I thank you for the opportunity to lead this important enterprise and look forward to your valuable and continued support.



Andrew Murray
Chairman

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

2010 MANAGER'S REPORT

The financial year ending 30 June 2010 has seen our business grow to \$55m. This has been achieved by strong growth in our farming and residential investment portfolios.

Our result is very pleasing, considering, the adverse international and national financial events which impacted on the local economy. Profitability for the first quarter of the financial year was affected accordingly. The financial markets have since returned to "normal", resulting in improvement to our operating margins. Actual financial results exceeded budget for the 2009-2010 period. We expect actual financial results for the 2010-11 period will also exceed budget again, which should see our business reach another milestone of \$60m

A full range of consumer banking products are provided at our branches. Staff are well qualified to assist. On going staff training enables us to provide up to date product information and identifying solutions to client financial requirements.

We are fortunate to be able to call upon specialist at any time. Steve Sims our agri business manager is frequently in our area. Agri lending or enquires can either be directed to Steve or myself. Ruth Thomas, financial planner, is available for interviews at either branch or customers homes. We are in contact with the Financial Markets on a regular basis, to ensure our investment rates are competitive.

During the year, the staff received recognition for achieving the best results for insurance product sales in our region. The staff also received recognition by Bendigo internal auditors for adherence to procedures and policies.

Bendigo Bank commenced a major improvement programme to our operating system. This involved a significant amount of work by staff in the form of maintenance and training. The new system will provide an excellent platform to improve and develop our relationships with our customers.

Kathryn Collins left in June after 4 years with the bank, we thank Kathryn for her excellent work and wish her all the best in the future.

Vicky Taylor commenced in May, welcome Vicky.

With over 260 community bank branches now established in Australia and a further 64 in various stages of development, the community bank model has proven to be successful and is fully embraced by the community.

Our Tambellup Cranbrook Community Bank customers have already demonstrated the point of difference between us and any other financial institution by returning over \$213,000 to our communities in the form of grants and sponsorships over the past 10 years.

Geoff Beckley - Branch Manager

BENDIGO MESSAGE – ANNUAL REPORT 2010

Now in its 13th year, the **Community Bank**[®] network continues to grow and make significant contributions to local communities right across Australia.

In the 2009/10 financial year 22 new **Community Bank**[®] branches were opened, taking the total number of branches to 259.

More than 545,000 customers chose to support the network with their banking business made up of more than 788,000 accounts, giving the networks a combined banking book of more than \$16.3 billion.

Our **Community Bank**[®] customers have been served by more than 1150 staff that are supported by almost 1700 volunteer directors.

And these directors are endorsed by around 63,000 shareholders who have received more than \$14.7 million in dividends, a reward for their belief in the **Community Bank**[®] concept.

All of this support has enabled the **Community Bank**[®] network to return more than \$40.3 million to assist local community groups and projects since the first **Community Bank**[®] branch opened in 1998.

These figures add up to a strong **Community Bank**[®] network, a franchise of the Bendigo and Adelaide Bank, which like its community partners, continues to flourish attracting more than 10,000 new customers every month.

This has been made possible through the restructure of the bank's executive team under the leadership of Managing Director, Mike Hirst.

At the start of 2010, the world's great economies continued to feel the aftershocks of the Global Financial Crisis. However, Australia's economy remained relatively stable during the turbulent times. While the impact of the GFC was felt by our community owned and operated branches, it is a testament to our business models and partners that our **Community Bank**[®] network continues to develop.

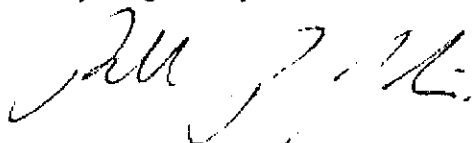
In fact, not only did our network continue to develop, in the past year we have witnessed one of our most successful launch programs to date. We saw a new branch emerge out of the ashes in Kinglake, less than a year after the region was devastated by Victoria's Black Saturday Bushfires.

The Pymont **Community Bank**[®] Branch saw us make an inroad into the competitive but lucrative Sydney banking market. And over the next 12 months Bendigo Bank will continue to grow its ATM and branch network in New South Wales, providing further support in boosting the profile of Bendigo's brand in the state.

This year we have also launched Community Snapshots on the Bendigo Bank website. This online initiative shares and highlights the great contributions and tangible outcomes the **Community Bank**[®] network generates for its local communities.

There has also been a focus on the continued roll out of our Good for Business, Good for Community program, which is an important element of our overall Community Strengthening for the coming year.

Thank you again for your continued commitment and support of the **Community Bank**[®] network.



Russell Jenkins
Executive Customer and Community

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

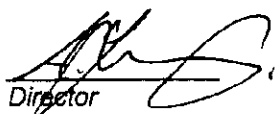
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Financial report for the year ended 30 June 2010

C O N T E N T S

Directors' Report
Auditor's Independence Declaration
Statement of Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Statements
Directors' Declaration
Independent Auditor's Report

*This is annexure A of 41 pages referred
to in Form 388: Copy of financial
statements and reports*


Director

Dated this 24th day of SEPTEMBER 2010

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

DIRECTORS' REPORT

Your Directors present their report, together with the financial statements of the Company for the financial year ended 30 June 2010.

Directors

The names of Directors in office at any time during or since the end of the year are:

Andrew James Murray

Position: Chairperson
Occupation: Manager / Viticulture and Farmer
Background Information: Manager of Powderbark Ridge Vineyard, Frankland River
Directorships held in other entities: None
Interest in shares and options: 2,000 shares (direct) 300 shares (indirect)

Adnan Robert Bridge

Position: Non-Executive Director
Occupation: Farmer / Meat Inspector
Background Information: Experience in shearing and meat inspection. A Senior Compliance Officer in primary industries (AQIS)
Directorships held in other entities: None
Interest in shares and options: 500 shares (direct) 16,000 shares (indirect)

Brian Norman Taylor (resigned 4 November 2009)

Position: Non-Executive Director
Occupation: Farmer
Background Information: (HONS) Woolgrower, advisory role with Regional Economic Development
Past Shire Councillor and past Chairman Tambellup Co-op.
Directorships held in other entities: None
Interest in shares and options: 10,800 shares (indirect)

Janice Christine Pope

Position: Non-Executive Director
Occupation: Farmer / Business Proprietor
Background Information: Partner in the family farming business, Former Manager of an independent publishing company, a Shire Councillor and partner in Stirling Bulk Distributors.
Directorships held in other entities: None
Interest in shares and options: 1,000 shares (direct) 3,600 shares (indirect)

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

DIRECTORS' REPORT

Trevor Walter Prout

Position: Non-Executive Director
Occupation: Auto Mechanic / Business Owner
Background Information: Partner in a mechanical business in Tambellup. Former Councillor on the Shire of Tambellup and long time resident of the district.
Directorships held in other entities: None
Interest in shares and options: 500 shares (indirect)

Barbara Joy Groves

Position: Non-Executive Director
Occupation: Administrator
Background Information: Barbara lives at Tambellup and has been a partner in a farming business. Barbara is also Secretary of a number of community organisations in Tambellup, is held in very high regard and brings many years of experience as a volunteer and committed community member to the Board. In her role as Secretary and Treasurer of some organisations, she also has a good understanding of the Company finances and works well with the community for the benefit of the Board and the community.
Directorships held in other entities: None
Interest in shares and options: 1,200 shares (direct)

Sandra Jane Hallett (appointed 4 November 2009)

Position: Non-Executive Director
Occupation: Business Manager
Background Information: Sandra is Business & Marketing Manager of Alkoomi Wines, Frankland River, her family-owned viticulture and winery business.
Directorships held in other entities: None
Interest in shares and options: 1,000 shares (indirect)

Cassandra Michelle Stipanicev (appointed 4 November 2009)

Position: Non-Executive Director
Occupation: Manager of Business Development, Shire of Cranbrook
Background Information: Cassandra has a background in business management and in her current role, is responsible for the economic development 'portfolio' with the Shire of Cranbrook. She is a member of Economic Development Australia.
Directorships held in other entities: None
Interest in shares and options: Nil shares at the 30.6.2010

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

DIRECTORS' REPORT

Anne-Marie Lockyer – appointed 4 November 2009

Position: Treasurer
Occupation: Farmer

Background information: 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 partnership. She has fulfilled various roles in voluntary organisations throughout the community from agrl-business development through historical & heritage, service organisations and sporting clubs.

Directorships held in other entities: None

Interest in shares and options: 1,000 shares (direct)
 2,000 shares (indirect)

Connie Ann Wilham (resigned 4 November 2009 as Non-Executive Director)

Position: Treasurer
Occupation: Farmer / Accountant

Background information: Connie lives at Tambellup and is a partner in the family business and she is a Certified Practising Accountant. Connie was engaged as the Company Treasurer for six months before being elected to the Board of Directors in November 2007 and brings a valuable contribution to the Board. Connie continues in her role as Treasurer on a contract basis.

Directorships held in other entities: None

Interest in shares and options: 1,000 shares

Company Secretary

Janice Christine Pope

Directors meetings attended

During the financial year, 12 meetings of directors (including committees of directors) were held. Attendances by each Director during the year were as follows:

Names of Directors		Directors' Meetings
	Number eligible to attend	Number Attended
Andrew Murray	12	10
Trevor Prout	12	11
Adrian Bridge	12	11
Janice Pope	12	10
Barbara Groves	12	11
Brian Taylor (resigned 4 November 2009)	5	5
Anne-Marie Lockyer (appointed 4 November 2009)	7	7
Cassandra Stipanicev (appointed 4 November 2009)	7	7
Sandra Hallett (appointed 4 November 2009)	7	7
Connie Wilham (resigned 4 November 2009)	5	4

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

DIRECTORS' REPORT

Principal activity and review of operations

The principal activity and focus of the Company's operations during the year was the operation of a Branch of Bendigo and Adelaide Bank Ltd, pursuant to a franchise agreement.

Operating results

The profit of the Company after providing for income tax amounted to \$22,123.

Dividends paid or recommended

The Company paid or declared for payment dividends of \$14,637 during the year.

Financial position

The net assets of the Company have increased from \$180,775 as at 30 June 2009 to \$188,261 as at 30 June 2010.

The directors believe the Company is in a stable financial position.

Significant changes in state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review, not otherwise disclosed in these financial statements.

After balance date events

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

Future developments

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Options

No options over issued shares or interests in the Company were granted to Directors or Executives during or since the end of the financial year and there were no options outstanding at the date of this report.

The Directors and Executive do not own any options over issued shares or interests in the Company at the date of this report.

Indemnifying officers or auditor

Indemnities have been given, during and since the end of the financial year, for any persons who are or have been a Director or an officer, but not an auditor, of the Company. The insurance contract prohibits disclosure of any details of the cover.

Environmental issues

The Company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth, State or Territory.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

DIRECTORS' REPORT

Corporate governance

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

- a) Director approval of operating budgets and monitoring of progress against these budgets;
- b) Ongoing Director training; and
- c) Monthly Director meetings to discuss performance and strategic plans

The Company has not appointed a separate audit committee due to the size and nature of operations. The normal functions and responsibilities of an audit committee have been assumed by the Board.

Non-audit services

The Board is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2010:

Taxation services: \$5,250

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Financial report for the year ended 30 June 2010

REMUNERATION REPORT

This report details the nature and amount of remuneration for each key management person of the Company, and for the Executives receiving the highest remuneration.

Remuneration of Directors

No income was paid or was payable or otherwise made available, to the Directors of the Company during the years ended 30 June 2010 and 30 June 2009.

Remuneration policy

The remuneration policy of the Company has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The board of the Company believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Company, as well as create goal congruence between Directors, Executives and shareholders

The board's policy for determining the nature and amount of remuneration for key management personnel of the Company is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), and superannuation.
- The Board reviews key management personnel packages annually by reference to the Company's performance, Executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each Executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives and bonuses, which must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of Executives and reward them for performance that results in long-term growth in shareholder wealth.

The key management personnel receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals may have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed.

Performance-based remuneration

As part of each key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel is involved in and has a level of control over. The KPIs target areas the Board believes hold greater potential for Company expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the Company and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the remuneration committee in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Company's goals and shareholder wealth, before the KPIs are set for the following year

In determining whether or not a KPI has been achieved, the Company bases the assessment on audited figures.

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

REMUNERATION REPORT

Company performance, shareholder wealth and executive remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and Executives. The method applied in achieving this aim is a performance based bonus based on key performance indicators. The Company believes this policy to have been effective in increasing shareholder wealth over the past years.

Key management personnel remuneration policy

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

The employment conditions of the key management personnel are formalised in contracts of employment. All Executives are permanent employees of the Company.

The employment contracts stipulate a resignation period. The Company may terminate an employment contract without cause by providing appropriate written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

Performance income as a proportion of total remuneration

Executives are paid performance based bonuses based on set monetary figures, rather than proportions of their salary. This has led to the proportions of remuneration related to performance varying between individuals. The Board has set these bonuses to encourage achievement of specific goals that have been given a high level of importance in relation to the future growth and profitability of the Company.

The Board will review the performance bonuses to gauge their effectiveness against achievement of the set goals, and adjust future years' incentives as they see fit to ensure use of the most cost effective and efficient methods.

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under s 307C of the *Corporations Act 2001* for the year ended 30 June 2010 is included within the financial statements.

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Director



Dated this

24th

day of

SEPTEMBER

2010

RSM Bird Cameron Partners

Chartered Accountants

RSM Bird Cameron Partners
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www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Great Southern Community Financial Services Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

D J Wall

D J WALL
Partner

Perth, WA

Dated: *26 September 2010*

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

		2010	2009
	Note	\$	\$
Revenue	2	502,389	453,389
Employee benefits expense		(209,749)	(183,094)
Depreciation and amortisation expense		(16,589)	(12,831)
Finance costs		(5,968)	(3,628)
Other expenses	3	<u>(238,545)</u>	<u>(222,777)</u>
Profit before income tax		31,538	31,059
Income tax expense	4	<u>(9,415)</u>	<u>(8,955)</u>
Profit for the year		22,123	22,104
Other comprehensive income		-	-
Total comprehensive income for the year attributable to members		<u>22,123</u>	<u>22,104</u>
Earnings per share			
Basic earnings per share (cents per share)		7.56	7.56
Diluted earnings per share (cents per share)		7.56	7.56

The accompanying notes form part of these financial statements

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

2010	2009	Note
\$	\$	

	6	Cash and cash equivalents	148,657	151,374
	7	Trade and other receivables	36,605	33,219
	8	Other current assets	21,184	12,800
		TOTAL CURRENT ASSETS	206,446	197,393
	9	Property, plant and equipment	78,686	95,648
	10	Intangible assets	8,833	-
	23	Deferred tax asset	4,468	2,630
		TOTAL NON-CURRENT ASSETS	91,987	98,278
		TOTAL ASSETS	298,433	295,671
		CURRENT LIABILITIES		
	11	Trade and other payables	30,401	25,545
	12	Short-term financial liabilities	20,431	19,471
	13	Short-term provisions	12,765	8,763
	23	Current tax liability	2,125	-
		TOTAL CURRENT LIABILITIES	65,722	53,779
		NON-CURRENT LIABILITIES		
	12	Long-term financial liabilities	44,450	61,117
		TOTAL NON-CURRENT LIABILITIES	44,450	61,117
		TOTAL LIABILITIES	110,172	114,896
		NET ASSETS	188,261	180,775
		EQUITY		
		Issued capital	292,750	292,750
	14	Retained earnings/(Accumulated losses)	(104,489)	(111,975)
		TOTAL EQUITY	188,261	180,775

The accompanying notes form part of these financial statements

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 75 089 136 121

Financial report for the year ended 30 June 2010

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	Share Capital (Ordinary shares)	Retained earnings/ (Accumulated losses)	Total
	\$	\$	\$
Balance at 1 July 2008	292,750	(112,123)	180,627
Total comprehensive income for the year	-	22,104	22,104
Subtotal	292,750	(90,019)	202,731
Dividends paid or provided for	-	(21,956)	(21,956)
Balance at 30 June 2009	292,750	(111,975)	180,775
Balance at 1 July 2009	292,750	(111,975)	180,775
Total comprehensive income for the year	-	22,123	22,123
Subtotal	292,750	(89,852)	202,898
Dividends paid or provided for	-	(14,637)	(14,637)
Balance at 30 June 2010	292,750	(104,489)	188,261

The accompanying notes form part of these financial statements

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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Financial report for the year ended 30 June 2010

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	493,407	450,818
Payments to suppliers and employees	(440,184)	(407,690)
Interest received	5,148	8,613
Finance costs	(5,968)	(3,628)
Income tax paid	(16,316)	(12,573)
Net cash provided by operating activities	36,087	35,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	-	(42,030)
Proceeds from sale of property, plant and equipment	1,540	-
Purchase of franchise fee	(10,000)	-
Net cash used in investing activities	(8,460)	(42,030)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(16,667)	(9,840)
Proceeds from borrowings	960	35,000
Dividends paid	(14,637)	(21,956)
Net cash used in financing activities	(30,344)	3,204
Net increase/(decrease) in cash held	(2,717)	(3,286)
Cash and cash equivalents at beginning of financial year	151,374	154,660
Cash and cash equivalents at end of financial year	148,657	151,374

The accompanying notes form part of these financial statements

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

1. Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers the Company as an individual entity. The Company is a public company, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

1 Statement of significant accounting policies (cont'd)

(b) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset

Depreciation Rate

Plant and equipment

20%

Buildings

5%

Motor Vehicles

25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

1 Statement of significant accounting policies (cont'd)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Company are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(d) Financial instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

iv. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

v. Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges. The Company does not hold any derivative instruments.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Financial Guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the Company gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The Company has not issued any financial guarantees.

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

1 Statement of significant accounting policies (cont'd)

(e) Impairment of assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs

(f) Intangibles

Franchise fee

The franchise fee paid by the Company pursuant to a Franchise Agreement with Bendigo Bank is being amortised over the initial five (5) years period of the agreement, being the period of expected economic benefits of the franchise fee.

(g) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(j) Revenue and other income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use of sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

1 Statement of significant accounting policies (cont'd)

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(m) Comparative figures

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

(n) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates — Impairment

The Company assesses impairment at each reporting date by evaluating conditions specific to the Company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intangibles for the year ended 30 June 2010. Should the projected turnover figures be materially outside of budgeted figures incorporated in value-in-use calculations, an impairment loss would be recognised up to the maximum carrying value of intangibles at 30 June 2010 amounting to \$8,333.

(o) Adoption of New and Revised Accounting Standards

During the current year the Company adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory. The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Company.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Company's financial statements.

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Financial report for the year ended 30 June 2010

1 Statement of significant accounting policies (cont'd)

Measurement impact

Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill

AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact

AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Company's financial statements.

Disclosure impact

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

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1 Statement of significant accounting policies (cont'd)

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(p) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Company follows:

- **AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).**

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Company has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

- simplifying the requirements for embedded derivatives;

- removing the tainting rules associated with held-to-maturity assets;

- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and

- reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:

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Financial report for the year ended 30 June 2010

1 Statement of significant accounting policies (cont'd)

- a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- **AASB 124: Related Party Disclosures** (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Company.
 - **AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]** (applicable for annual reporting periods commencing from 1 July 2009) and **AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]** (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Company.
 - **AASB 2009-8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2]** (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Company.
 - **AASB 2009-9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1]** (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Company.
 - **AASB 2009-10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132]** (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Company.

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Financial report for the year ended 30 June 2010

1 Statement of significant accounting policies (cont'd)

- AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Company.

- AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Company.

- AASB 2009-14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

This interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The interpretation deals with situations where either partial or full settlement of the liability has occurred. This interpretation is not expected to impact the Company.

The Company does not anticipate the early adoption of any of the above Australian Accounting Standards.

(b) Authorisation for financial report

The financial report was authorised for issue on 24 September 2010 by the Board of Directors

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

	2010	2009
	\$	\$
2. Revenue		
Franchise margin income	492,258	446,263
Interest revenue	5,596	7,001
Other revenue	4,535	125
	<u>502,389</u>	<u>453,389</u>
3. Expenses		
Advertising and marketing	8,166	9,409
Bad debts	25	19
Community sponsorship and donations	52,812	24,998
Freight and postage	14,329	7,915
Insurance	11,638	17,599
IT leasing and running costs	43,232	45,509
Motor Vehicle expenses	7,403	5,865
Occupancy running costs	8,896	-
Printing and stationery	14,188	8,207
Rental on operating lease	6,583	6,475
Repairs and maintenance	632	2,488
Security	15,056	2,877
Other operating expenses	55,585	91,416
	<u>238,545</u>	<u>222,777</u>
Remuneration of the auditors of the Company		
Audit services	6,800	6,600
Other Services	5,250	4,700
	<u>12,050</u>	<u>11,300</u>

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2009
\$

2010
\$

		Income tax expense
		a. The components of tax expense comprise:
9,255	12,805	Current tax
(300)	(1,838)	Deferred tax
-	(1,552)	Over provision in respect of prior years
8,955	9,415	

		b. The prima facie tax on profit before income tax is reconciled to the income tax as follows:
9,318	9,462	Prima facie tax payable on profit before income tax at 30% (2009: 30%)
		Add:
		Tax effect of:
-	350	— non-deductible depreciation and amortisation
195	1,170	— other non-allowable items
		Less:
		Tax effect of:
-	(1,552)	— overprovision for income tax in prior years
(558)	(15)	— other allowable items
8,955	9,415	Income tax attributable to the Company

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

5. Key management personnel compensation

a. Names and positions

<i>Name</i>	<i>Position</i>
Andrew James Murray	Chairman
Brian Norman Taylor	Non-Executive Director (resigned 4 November,2009)
Janice Christine Pope	Non-Executive Director/Secretary
Adrian Robert Bridge	Non-Executive Director
Trevor Prout	Non-Executive Director
Barbara Joy Groves	Non-Executive Director
Sandra Jane Hallett	Non-Executive Director (appointed 4 November 2009)
Cassandra Michelle Stipanicev	Non-Executive Director (appointed 4 November 2009)
Anne-Marie Lockyer	Non-Executive Director (appointed 4 November 2009)
Connie Ann Witham	Treasurer (resigned as Non-Executive Director 4 November 2009)

Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

b. Options provided as remuneration and shares issued on exercise of such options

No options were provided as remuneration or shares issued on exercise of options

c. Option holdings

No options over ordinary shares in the Company are held by any Director of the Company or other key management personnel, including their personally related parties.

d. Shareholdings

Number of ordinary shares held by key management personnel

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Financial report for the year ended 30 June 2010

2010

Ordinary Shares		Directors	
Balance at beginning of period	Purchased during the period	Other changes	Balance at end of period
16,500	-	-	16,500
2,300	-	-	2,300
10,800	-	-	10,800
4,600	-	-	4,600
1,000	-	-	1,000
1,200	-	-	1,200
1,000	-	(500)	500
3,000	-	-	3,000
1,000	-	-	1,000
-	-	-	-
41,400	-	-	40,900

2010 \$
2009 \$

6. Cash and cash equivalents

Cash at bank and in hand

148,657 151,374

Cash and cash equivalents

Reconciliation of cash
Cash at the end of the financial year as shown in the
cash flow statement is reconciled to items in the
balance sheet as follows:

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Financial report for the year ended 30 June 2010

	2010	2009
	\$	\$
7. Trade and other receivables		
Trade debtors	<u>36,605</u>	<u>33,219</u>
a. Provision For Impairment of Receivables		
<p>Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is an objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.</p> <p>There is no provision for impairment of receivables.</p>		
8. Other assets		
Current		
Accrued Income	1,562	1,114
Prepayments	4,777	4,029
Income tax credit	<u>14,845</u>	<u>7,657</u>
	<u>21,184</u>	<u>12,800</u>
9. Property, plant and equipment		
Building		
Cost	80,106	81,646
Accumulated depreciation	<u>(21,767)</u>	<u>(17,761)</u>
	<u>58,339</u>	<u>63,885</u>
Plant and Equipment		
Cost	32,262	32,262
Accumulated depreciation	<u>(17,310)</u>	<u>(11,803)</u>
	<u>14,952</u>	<u>20,459</u>
Motor Vehicle		
Cost	23,636	23,636
Accumulated depreciation	<u>(18,241)</u>	<u>(12,332)</u>
	<u>5,395</u>	<u>11,304</u>

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 75 089 136 121

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

2010 \$
2009 \$

9. Property, plant and equipment (cont.)

Reconciliation of the carrying value for each class of property, plant and equipment are set out below:

	2010	2009
<i>Building</i>		
Balance at the beginning of the year	63,885	34,728
Additions	-	31,934
Disposals	(1,540)	-
Depreciation expense	(4,006)	(2,777)
Carrying amount at the end of the year	58,339	63,885

	2010	2009
<i>Plant and equipment</i>		
Balance at the beginning of the year	20,459	14,508
Additions	-	10,095
Depreciation expense	(5,507)	(4,144)
Carrying amount at the end of the year	14,952	20,459

	2010	2009
<i>Motor vehicle</i>		
Balance at the beginning of the year	11,304	17,213
Depreciation expense	(5,909)	(5,909)
Carrying amount at the end of the year	5,395	11,304
Total carrying amount at the end of the year	78,686	95,648

10.

Intangible assets

	2010	2009
Franchise fee	10,000	50,000
Cost	10,000	50,000
Accumulated amortisation	(1,167)	(50,000)
	8,833	-

Pursuant to a five year franchise agreement with Bendigo and Adelaide Bank Ltd, the Company operates a branch of Bendigo and Adelaide Bank Ltd, providing a core range of banking products and services.

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

	2010	2009
	\$	\$
11. Trade and other payables		
Trade creditors and accruals	23,456	22,022
GST payable	6,384	3,154
Unclaimed Dividends	561	369
	<hr/>	<hr/>
	30,401	25,545
	<hr/>	<hr/>
12. Financial liabilities		
Current		
Credit Card	628	378
Chattel mortgage	5,739	5,413
Mortgage loan	14,064	13,680
	<hr/>	<hr/>
	20,431	19,471
	<hr/>	<hr/>
Non current		
Chattel mortgage	1,366	9,015
Mortgage loan	43,084	52,102
	<hr/>	<hr/>
	44,450	61,117
	<hr/>	<hr/>
<i>Security:</i>		
The bank overdraft and mortgage loan are secured by a floating charge over the Company's assets.		
13. Provisions		
Current		
Provision for employee entitlements	12,765	8,763
	<hr/>	<hr/>
Number of employees at year end	4	4
	<hr/>	<hr/>
14. Equity		
292,750 fully paid ordinary shares (2009: 292,750 fully paid ordinary shares)	292,750	292,750
	<hr/>	<hr/>

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

2010	2009
\$	\$

15. Cash flow information

a. Reconciliation of cash flow from operations with profit after tax

22,123	22,104
Profit after tax	
16,589	12,831
Depreciation and amortisation	

Movement in assets and liabilities

(3,386)	4,430
Receivables	
(8,384)	(832)
Other assets	
4,856	(300)
Payables	
(1,838)	(3,694)
Deferred tax asset	
4,002	1,001
Provisions	
2,125	-
Current tax liability	

Net cash provided by/(used in) operating Activities

36,087	35,540
--------	--------

b. Credit Standby Arrangement and Loan Facilities

The Company does not operate a bank overdraft facility or have any loan facilities at present.

16.

Related party transactions

Connie Witham trading under the name of Witham Agronomy & Accounting received \$6,600 for Treasury services. The services were provided on a commercial basis. No other parties have entered into a transaction with the Company during the financial years ended 30 June 2010 and 30 June 2009.

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

	2010	2009
	\$	\$
17. Leasing commitments		
Non cancellable operating lease commitment contracted for but not capitalised in the financial statements		
Payable		
Not longer than 1 year	6,156	6,156
Longer than 1 year but not longer than 5 years	4,617	10,773
	<u>10,773</u>	<u>16,929</u>
18. Dividends		
Distributions paid		
Interim fully franked ordinary dividend of 4 December 2009 at 5.0 (2009:7.5) cents per share franked at the tax rate of 30% (2009: 30 %)	14,637	21,956
	<u>14,637</u>	<u>21,956</u>
a. Proposed final 2010 fully franked ordinary dividend of Nil (2009:0) cents per share unfranked	-	-
b. Balance of franking account at year end adjusted for franking credits arising from:		
- Opening Balance	35,553	32,392
- payment of provision for income tax	28,215	12,571
- dividends recognised as receivables and franking debits arising from payment of dividends, and franking credits that may be prevented from distribution in subsequent financial years	(6,273)	(9,410)
	<u>57,495</u>	<u>35,553</u>

19.

Financial risk management

The Company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans, bills and leases. The directors' overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

a. Financial risk management policies

Risk management policies are approved and reviewed by the Board of Directors on a regular basis. These include the credit risk policies and future cash flow requirements.

The main purpose of non-derivative financial instruments is to raise finance for Company operations.

The Company does not have any derivative instruments at 30 June 2010.

b. Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

i. Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

ii. Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

iii. Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

iv. Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2010.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Company. Credit risk is managed regularly by the Board of Directors. It arises from exposures to customers as well as through deposits with financial institutions. The Board of Directors monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the company's strict credit policies may only purchase in cash or using recognised credit cards.

The trade receivables balances at 30 June 2010 and 30 June 2009 do not include any counterparties with external credit ratings. Customers are assessed for credit worthiness using the criteria detailed above.

v. Price risk

The company is not exposed to any material commodity price risk.

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

c. Financial Instrument Composition and Maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

2010

	Weighted Average Effective Interest Rate	Variable	Fixed		Non Interest Bearing	Total
		Floating Interest Rate	Within 1 Year	Within 1 to 5 Years		
<i>Financial Assets</i>						
Cash and cash equivalents	5.30%	148,657	-	-	-	148,657
Loans and receivables			-	-	36,605	36,605
Total Financial Assets		148,657	-	-	36,605	185,262
<i>Financial Liability</i>						
Bank loan secured	8.94%	-	20,431	44,450	-	64,881
Trade and other payables		-	-	-	30,401	30,401
Total Financial Liabilities		-	20,431	44,450	30,401	95,282

2009

	Weighted Average Effective Interest Rate	Variable	Fixed		Non Interest Bearing	Total
		Floating Interest Rate	Within 1 Year	Within 1 to 5 Years		
<i>Financial Assets</i>						
Cash and cash equivalents	3.20%	151,374	-	-	-	151,374
Loans and receivables		-	-	-	33,219	33,219
Total Financial Assets		151,374	-	-	33,219	184,593
<i>Financial Liability</i>						
Bank loan secured	7.89%	-	19,471	61,117	-	80,588
Trade and other payables		-	-	-	25,545	25,545
Total Financial Liabilities		-	19,471	61,117	25,545	106,133

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

20. Operating Segments

Types of products and services by segment

The Company operates in the financial services sector as a branch of Bendigo and Adelaide Bank Ltd in Western Australia.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Company.

Comparative information

This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been stated to conform to the requirements of the Standard.

Major customers

The Company operates under the terms of a franchise agreement with Bendigo and Adelaide Bank Ltd, which accounts for all of the franchise margin income.

21. Events after the balance sheet date

No matters or circumstances have arisen since the end of the financial year that significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial years.

22. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets at the reporting date.

23. Tax

a. Liability

Current

Income tax

2010
\$

2009
\$

2,125

-

b. Assets

Deferred tax assets comprise:

Provisions

Other

3,831

2,630

637

-

4,468

2,630

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

ABN 75 089 136 121

NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010

2010 \$
2009 \$

24.

Tax (cont.)

c. Reconciliations

i. Gross Movements

The overall movement in the deferred tax account is as follows:

Opening balance	2,630	2,330
Credit to income statement	1,838	300
Closing balance	4,468	2,630

ii. Deferred Tax Assets

The movement in deferred tax assets for each temporary difference during the year is as follows:

Opening balance	2,630	2,330
Credit to the income statement	1,200	300
Closing balance	3,830	2,630

iii. Other

Opening balance	-	-
Credit to the income statement	638	-
Closing balance	638	-

25.

Company details

The registered office of the Company is:

36 Norrish Street
Tambellup WA 6320

The principal places of business of the Company is:

36 Norrish Street
Tambellup WA 6320

25 Gathorne Street
Cranbrook WA 6321

GREAT SOUTHERN COMMUNITY FINANCIAL SERVICES LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

Financial report for the year ended 30 June 2010


DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the accompanying financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standard; and
 - b. give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with the Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
4. the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1.

This declaration is made in accordance with a resolution of the Board of Directors.

Director

 _____ ANDREW MURRAY

Dated this

24th

day of

SEPTEMBER

2010

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

Report on the Financial Report

We have audited the accompanying financial report of Community Financial Services Limited ("the company"), which comprises the balance sheet as at 30 June 2010 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditors' Opinion

In our opinion:

- a. the financial report of Community Financial Services Limited is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

- ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the financial year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Community Financial Services Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, Western Australia
Date:

David Wall
Partner

