



# Great Southern Community Financial Services Limited

ABN 75 089 136 121

## 2018 ANNUAL REPORT



Tambellup Cranbrook  
**Community Bank®** branches

### 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



# Great Southern Community Financial Services Limited

## 2018 Chairman's Report

Welcome All,

It is again my pleasure to present the 2018 Great Southern Community Financial Services Ltd results to you.

Once again, we have provided in excess of \$24,500 into our communities taking our total community contributions to in excess of \$465,000, which I think you will agree, is a fantastic effort by all, our staff, directors past and present and of course most importantly our customers.

Your Board is continuing to retain community equity in our towns through local ownership, local management, local decision making and employment of local people, as evidenced by our appointment this year of Steve Smith who is now firmly at the helm as our Branch Manager and our restructured team with Rachael Nichols and help from our cousins at Mt Barker **Community Bank®** Branch from Rachel Wierobiej.

We also have a new Agri Manager based in Albany, Mr. Brian Western who has taken over from Langley Angel and who has been out and about with Brian during their transition and we look forward to seeing more of Brian over the coming years.

Our communities have once again benefited from your contribution and we have invested in 16 community partnerships through-out Tambellup, Cranbrook and Frankland River. Recipients have included the Primary schools and the P&Cs in these communities, the Gillamii Centre, Tambellup Cricket Club, Tenterden Tennis Club, Cranbrook Tourist Group, Frankland River and Tambellup Bowling Clubs and The Cranbrook Men's Shed. The Great Southern Netball Association continues to be supported in conjunction with our partners in Mt Barker and Albany **Community Bank®** branches.

At this point I would also like to thank our staff in the branch and at the same time welcome them all. Rachael, Rachel and our newest employees Elsie and Tracy, not forgetting of course, Steve. Welcome all and I look forward to working with you over the coming year and I would encourage you to come in and introduce yourself to our new team.

I would like to also recognise my fellow directors, they volunteer directors who contribute so much behind the scenes often thanklessly, always tirelessly. In addition, as always to Julieann for her tireless work in managing the day to day board needs. I thank you all for your efforts.

I would again thank our partners in Bendigo and Adelaide Bank and Rural Bank who this year were awarded the 3<sup>rd</sup> most trusted brand in Australia with Aldi, NRMA and Qantas in the top 4. Together we continuously work to improve not only our community but the products and services we offer through our **Community Bank®** and particularly Anne Marie Archer and Michelle Brace who again have been instrumental in helping us grow and change in the way we do business.

Thank you all again for your efforts in making our communities a better place and I look forward to working with you in the coming year.

Yours Faithfully,



Andrew Murray  
**Chairman**

ABN 75 089 136 121  
36 Norrish Street Tambellup WA 6320 or 25 Gathorne Street, Cranbrook WA 6321  
Phone 08 9825 1333 or 9826 1777, Email [adminbendigobank@gillamii.org.au](mailto:adminbendigobank@gillamii.org.au)  
Franchisee of Bendigo and Adelaide Bank Limited ABN 11 068 049 178 AFSL 237879

## **Tambellup Cranbrook Branch Managers Report. Year ending 30<sup>th</sup> June 2018**

The year ending 30<sup>th</sup> June 2018 was a successful year for rebuilding the in-Branch team, reviewing current Branch operational hours and developing a lending culture. Without a Branch Manager for some time, the Branch Staff were without direction, synergy and missed the lending culture needed for the Great Southern Community Financial Services Ltd (GSCFSL) Board to be able to drive the business.

Commencing as the Branch Manager in October 2017 without a banking or lending background the challenge ahead was to familiarise myself with the day to day banking operations, learn the lending policies and procedures, identifying growth opportunities and rebuild the in-Branch team players willing to follow direction from the GSCFSL Board.

Succession planning was front of mind throughout our recruiting process to develop our next Branch Manager from within the team key, avoiding the risk of another period without a Branch Manager. We set about recruiting and restructuring the two full time CSO positions to one full time CSO (Rachael Nicholls), one part time CSO for the Cranbrook **Community Bank**<sup>®</sup> Branch, (Tracey Smith) and one part time CSO for the Tambellup **Community Bank**<sup>®</sup> Branch (Elsie Ritchie). Both Tracey and Elsie have been employed with the understanding at times they will be required to work in the Tambellup Cranbrook **Community Bank**<sup>®</sup> branches as needed.

This restructure provides us with a pool of three staff members which will ensure we regularly have two CSOs in Branch covering leave entitlements and provide the flexibility required for the Branch Manager to pursue business development opportunities outside the Branch whilst not impacting significantly on wage costs.

Rachael as the full time and Senior CSO will oversee the two part-time CSOs day to day development, I have recommended Rachael commence the Learning to Lend module and move towards a DLA as part of her career development and as part of our succession plan.

A review of traffic into the Branch in person and on the phone was conducted over a two-month period (May & June) where statistics were recorded daily and presented at the respective monthly Board Meetings. Traffic between the hours of 4pm and 5pm was very low. It was agreed now was the right time to review operational hours considering the opportunities being presented in Gnowangerup and the onboarding of the two new CSOs (agreed working hours). It was agreed closing at 4pm in the afternoon and reducing the lunch time closure to 30 minutes would have minimal negative impact on customers while reducing operational costs and wages.

With ANZ the last of the two banks to close in Gnowangerup in April the opportunity has presented itself to establish a presence here. The level of interest during the public forum held in May, the positive response to the surveys and the drive coming from the Shire of Gnowangerup (who are very keen to establish a bank in town) all leads to a positive tone with establishing an Agency in the Shire of Gnowangerup.

The restructuring and recruiting of the Branch team and change to operational hours in Tambellup & Cranbrook are certainly going to be working favourably to support the potential expansion for the GSCFSL into Gnowangerup.

The total book value of \$67,337,834 June 30<sup>th</sup> provides a solid financial base and has enabled the business to remain cash flow positive during challenging times and provide a spring board to build the book value over the coming years.

The strongest part of our business is still our community story. The story of how the **Community Bank**<sup>®</sup> model supports local projects that makes our towns and our region a better place. In 2017/18 we supported several local groups and were able to find several good news stories that created a win-win for our business, the community and those receiving the funding.

The Branch team and the positive working relationship with the board should put us in an excellent position to drive the business for the coming financial year and beyond with several exciting sponsorship projects already in the making.

Steve Smith - Branch Manager Tambellup Cranbrook **Community Bank**<sup>®</sup> branches

# Bendigo and Adelaide Bank report

## For year ending 30 June 2018

It's been 20 years since the doors to the first **Community Bank®** branch opened. And it has only been a few months since the latest, the 321st, **Community Bank®** branch opened its doors.

In the last 20 years, much has changed. A staggering 92 per cent of our customers do their banking online and we pay for goods and services on a range of mobile phones, our watches and even our fitness devices. Many are embracing this online world with a sense of excitement and confidence. Our model will be even more accessible to people right across Australia.

Despite the change many things have also remained constant through the last two decades. Commitment within communities remains as strong today as it has ever been; from our first **Community Bank®** branch to the most recent one, and the 319 in between.

This year, five of our Community Bank branches are celebrating 20 years in business. Bendigo Bank has celebrated 160 years in business. We farewelled Managing Director Mike Hirst and welcomed into the MD role long-time Bendigo employee Marnie Baker.

Our **Be the change** online marketing campaign has been the most successful online marketing campaign ever run by our organisation. The premise behind **Be the change** is simple – it thanks individual customers for banking with their **Community Bank®** branch.

But it's not the Bank thanking the customers. It's not the staff, volunteer directors or shareholders thanking the customers. It's the kids from the local little athletics and netball clubs, it's the man whose life was saved by a **Community Bank®** funded defib unit, it's members of the local community choir and the animal rescue shelter. These people whose clubs and organisations have received a share of over \$200 million in **Community Bank®** contributions, all because of people banking with their local **Community Bank®** branch.

**Be the change** has further highlighted the power of the model. For others, customers are important. For our **Community Bank®** network, customer support ensures our point of difference. It's the reason we can share in the revenue generated by their banking business. Without this point of difference, we would be just another bank.

But we're not, we're Bendigo Bank and we're Australia's only '*community bank*', recently named by Roy Morgan Research as Australia's third most trusted brand and most trusted bank. As one of 70,000-plus **Community Bank®** company shareholders across Australia, these are outcomes we hope you too are proud of.

I'd like to thank you for your decision to support your local **Community Bank®** company as a shareholder. Your support has been vitally important to enhancing the prospects and outcomes within your community.

Without you, there would be no **Community Bank®** branch network in Australia.

We value your initial contribution and your ongoing support of your **Community Bank®** branch and your community. Thank you for continuing to play a role in helping your community **Be the change.**

A handwritten signature in black ink, appearing to read 'Robert Musgrove', with a stylized, looping flourish at the end.

**Robert Musgrove**  
**Bendigo and Adelaide Bank**

# Great Southern Community Financial Services Limited

**ABN: 75 089 136 121**

**Financial Statements**

For the year ended

30 June 2018

# Great Southern Community Financial Services Limited

## Directors' Report

Your directors submit the financial statements of the company for the financial year ended 30 June 2018.

### Directors

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

Andrew James Murray

Chairman

Occupation: Self Employed

Qualifications, experience and expertise: 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: Chairman and Human Resources Sub-Committee

Interest in shares: 2,000

Anne-Marie Lockyer

Secretary

Occupation: Self-employed Farmer

Qualifications, experience and expertise: 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.

Special responsibilities: Marketing Sub-Committee and Finance Sub-Committee

Interest in shares: 1,000

Trevor Walter Prout

Treasurer

Occupation: Self employed

Qualifications, experience and expertise: Trevor is a member of OAM. He has a Diploma in Agriculture and holds a Certificate IV in Financial Services. He is a Justice of the Peace, Officer in the Order of St. John. Trevor is President of the Tambellup Bowling Club and Secretary/Treasurer/President of the Tambellup Lions Club and life member of the Tambellup hockey club. Trevor is the manager of the Tambellup Business Centre.

Special responsibilities: Company Treasurer

Interest in shares: 2,500

Daniel Barbour

Director

Occupation: Elders Branch Manager

Qualifications, experience and expertise: 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: Nil

Interest in shares: Nil

# Great Southern Community Financial Services Limited

## Directors' Report

### Directors (*continued*)

Diana Kim Taylor

Director

Occupation: Farmer

Qualifications, experience and expertise: Diana holds a Bachelor Degree in Commerce and currently works as a bookkeeper at Pascoe Partners 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: Nil

Interest in shares: Nil

Adrian Robert Bridge

Director (*Resigned 30 November 2017*)

Occupation: Farmer

Qualifications, experience and expertise: Adrian is a local farmer, shearer, wool classer and meat inspector. He is also a Senior Compliance Officer (AQIS) at the Department of Primary Industries.

Special responsibilities: Nil

Interest in shares: 500

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

No directors have material interests in contracts or proposed contracts with the company.

### Company Secretary

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

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.

### Principal Activities

The principal activities of the company during the financial year were facilitating **Community Bank®** services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

### Operating results

Operations have continued to perform in line with expectations. The profit of the company for the financial year after provision for income tax was:

Year ended 30 June 2018	Year ended 30 June 2017
\$	\$
47,891	47,963

### Dividends

	Year ended 30 June 2018	
	Cents	\$
- Dividends paid in the year	4	11,710

# Great Southern Community Financial Services Limited

## Directors' Report

### Significant changes in the state of affairs

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

### Events since the end of the financial year

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

### Likely developments

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

### Environmental regulation

The company is not subject to any significant environmental regulation.

### 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 except as disclosed in note 22 to the financial statements. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the company's accounts, or the fixed salary of a full-time employee of the company, controlled entity or related body corporate.

### Indemnification and insurance of directors and officers

The company has indemnified all directors and the manager in respect of liabilities to other persons (other than the company or related body corporate) that may arise from their position as directors or 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. The company has not provided any insurance for an auditor of the company or a related body corporate.

### Directors' meetings

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

	Board Meetings		Marketing Sub Committee	
	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
Andrew James Murray	11	9	-	-
Trevor Walter Prout	11	11	-	-
Anne-Marie Lockyer	11	10	2	2
Daniel Barbour	11	5	-	-
Diana Kim Taylor	11	7	-	-
Adrian Robert Bridge ( <i>Resigned 30 November 2017</i> )	5	5	-	-

# Great Southern Community Financial Services Limited

## Directors' Report

### 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*.

### 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 the notes to the accounts.

The board of directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

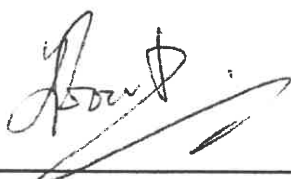
The directors are satisfied that the provision of non-audit services by the auditor, as set out in the notes did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the board to ensure they do not impact on the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk 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 on page 5.

Signed in accordance with a resolution of the board of directors at Tambellup, Western Australia on 25 September 2018.



Trevor Walter Prout, Treasurer

**Lead auditor's independence declaration under section 307C of the *Corporations Act 2001* to the directors of Great Southern Community Financial Services Limited**

As lead auditor for the audit of Great Southern Community Financial Services Limited for the year ended 30 June 2018, 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: 25 September 2018



**David Hutchings**  
**Lead Auditor**

Great Southern Community Financial Services Limited  
Statement of Profit or Loss and Other  
Comprehensive Income  
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from ordinary activities	4	454,060	446,264
Employee benefits expense		(187,720)	(167,718)
Charitable donations, sponsorship, advertising and promotion		(28,081)	(30,005)
Occupancy and associated costs		(24,589)	(28,351)
Systems costs		(32,054)	(32,529)
Depreciation and amortisation expense	5	(24,549)	(31,421)
Finance costs	5	(1,917)	(3,202)
General administration expenses		(89,094)	(86,880)
<b>Profit before income tax expense</b>		<b>66,056</b>	<b>66,158</b>
Income tax expense	6	(18,165)	(18,195)
<b>Profit after income tax expense</b>		<b>47,891</b>	<b>47,963</b>
<b>Total comprehensive income for the year attributable to the ordinary shareholders of the company:</b>		<b>47,891</b>	<b>47,963</b>
<b>Earnings per share</b>		<b>¢</b>	<b>¢</b>
Basic earnings per share	23	16.36	16.38

The accompanying notes form part of these financial statements

Great Southern Community Financial Services Limited  
Balance Sheet  
as at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	227,621	212,321
Trade and other receivables	8	38,103	38,033
<b>Total current assets</b>		<b>265,724</b>	<b>250,354</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	62,212	73,150
Intangible assets	10	18,339	31,949
Deferred tax asset	11	-	3,662
<b>Total non-current assets</b>		<b>80,551</b>	<b>108,761</b>
<b>Total assets</b>		<b>346,275</b>	<b>359,115</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	31,339	27,114
Current tax liabilities	11	2,128	12,522
Borrowings	13	15,046	21,905
Provisions	14	4,879	17,910
<b>Total current liabilities</b>		<b>53,392</b>	<b>79,451</b>
<b>Non-current liabilities</b>			
Trade and other payables	12	-	12,947
Borrowings	13	2,718	16,018
Provisions	14	94	359
Deferred tax liabilities	11	3,550	-
<b>Total non-current liabilities</b>		<b>6,362</b>	<b>29,324</b>
<b>Total liabilities</b>		<b>59,754</b>	<b>108,775</b>
<b>Net assets</b>		<b>286,521</b>	<b>250,340</b>
<b>EQUITY</b>			
Issued capital	15	292,750	292,750
Accumulated losses	16	(6,229)	(42,410)
<b>Total equity</b>		<b>286,521</b>	<b>250,340</b>

The accompanying notes form part of these financial statements

Great Southern Community Financial Services Limited  
Statement of Changes in Equity  
for the year ended 30 June 2018

	Notes	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2016</b>		292,750	(90,373)	202,377
Total comprehensive income for the year		-	47,963	47,963
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	-	-
<b>Balance at 30 June 2017</b>		<b>292,750</b>	<b>(42,410)</b>	<b>250,340</b>
<b>Balance at 1 July 2017</b>		292,750	(42,410)	250,340
Total comprehensive income for the year		-	47,891	47,891
<b>Transactions with owners in their capacity as owners:</b>				
Shares issued during period		-	-	-
Costs of issuing shares		-	-	-
Dividends provided for or paid	21	-	(11,710)	(11,710)
<b>Balance at 30 June 2018</b>		<b>292,750</b>	<b>(6,229)</b>	<b>286,521</b>

The accompanying notes form part of these financial statements

Great Southern Community Financial Services Limited  
Statement of Cash Flows  
for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		486,190	471,702
Payments to suppliers and employees		(407,575)	(384,832)
Interest received		3,588	3,103
Interest paid		(1,917)	(3,202)
Income taxes refunded/(paid)		(21,347)	114
<b>Net cash provided by operating activities</b>	17	<b>58,939</b>	<b>86,885</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		-	(2,046)
Proceeds from property, plant and equipment		-	2,590
Payments for intangible assets		(11,770)	(11,771)
<b>Net cash used in investing activities</b>		<b>(11,770)</b>	<b>(11,227)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(20,159)	(18,271)
Dividends paid	21	(11,710)	-
<b>Net cash used in financing activities</b>		<b>(31,869)</b>	<b>(18,271)</b>
<b>Net increase in cash held</b>		<b>15,300</b>	<b>57,387</b>
Cash and cash equivalents at the beginning of the financial year		212,321	154,934
<b>Cash and cash equivalents at the end of the financial year</b>	7(a)	<b>227,621</b>	<b>212,321</b>

The accompanying notes form part of these financial statements

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### **Note 1. Summary of significant accounting policies**

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#### **a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Boards (AASB) and the *Corporations Act 2001*. The company is a for-profit entity for the purpose of preparing the financial statements.

#### *Compliance with IFRS*

These financial statements and notes comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. These areas involving a higher degree of judgement or complexities, or areas where assumptions and estimates which are significant to the financial statements are disclosed in note 3.

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention on an accruals basis as modified by the revaluation of financial assets and liabilities at fair value through profit or loss and where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

#### *Comparative figures*

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

#### *Application of new and amended accounting standards*

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 2017, and are therefore relevant for the current financial year.

AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This accounting standard is not expected to have a material impact on the financial statements.

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. This accounting standard is not expected to have a material impact on the financial statements.

There are also a number of accounting standards and interpretations issued by the AASB that become effective in future accounting periods.

The company has elected not to apply any accounting standards or interpretations before their mandatory operative date for the annual reporting period beginning 1 July 2017. These future accounting standards and interpretations therefore have no impact on amounts recognised in the current period or any prior period.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### Note 1. Summary of significant accounting policies *(continued)*

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#### a) Basis of preparation *(continued)*

##### *Application of new and amended accounting standards (continued)*

AASB 16 Leases is effective for annual periods beginning on or after 1 January 2019. The standard introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

The company has completed an initial assessment of the potential impact on its financial statements but has not yet completed its detailed assessment. The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the company's borrowing rate at 1 January 2019, the composition of the lease portfolio at that date, the latest assessment of whether the company will exercise any lease renewal options and the extent to which the company chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the company will recognise new assets and liabilities for its operating leases of its branch. As at 30 June 2018, the company's future minimum lease payment under non-cancellable operating leases amount to \$13,846, on an undiscounted basis (see Note 18).

No significant impact is expected for the company's finance leases.

##### *Economic dependency - Bendigo and Adelaide Bank Limited*

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branches at Tambellup and Cranbrook, Western Australia.

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

All deposits are made with Bendigo and Adelaide Bank Limited, and all personal and investment products are products of Bendigo and Adelaide Bank Limited, 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 and Adelaide Bank Limited, must be approved by Bendigo and Adelaide Bank Limited. All credit transactions are made with Bendigo and Adelaide Bank Limited, and all credit products are products of Bendigo and Adelaide Bank Limited.

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 relevant Bendigo and Adelaide Bank Limited entity 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.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### Note 1. Summary of significant accounting policies *(continued)*

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#### a) Basis of preparation *(continued)*

##### *Economic dependency - Bendigo and Adelaide Bank Limited (continued)*

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branches 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 in relation to:

- advice and assistance in relation to the design, layout and fit out of the **Community Bank®** branches.
- 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.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

#### b) Revenue

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the company and any specific criteria have been met. Interest and fee revenue is recognised when earned. The gain or loss on disposal of property, plant and equipment is recognised on a net basis and is classified as income rather than revenue. All revenue is stated net of the amount of Goods and Services Tax (GST).

##### *Revenue calculation*

The franchise agreement provides that three forms of revenue may be earned by the company – margin, commission and fee income. Bendigo and Adelaide Bank Limited 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. It may also be affected by other factors, such as economic and local conditions, for example, interest rates.

##### *Core banking products*

Bendigo and Adelaide Bank Limited has identified some Bendigo Bank Group 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.

##### *Margin*

Margin 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 and Adelaide Bank Limited for a deposit,
- *minus* any costs of funds i.e. interest applied by Bendigo and Adelaide Bank Limited to fund a loan.

Margin is paid on all core banking products. A funds transfer pricing model is used for the method of calculation of the cost of funds, deposit return and margin.

The company is entitled to a share of the margin earned by Bendigo and Adelaide Bank Limited (i.e. income adjusted for Bendigo and Adelaide Bank Limited's interest expense and interest income return). However, if this reflects a loss, the company incurs a share of that loss.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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**Note 1. Summary of significant accounting policies *(continued)***

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**b) Revenue *(continued)****Commission*

Commission is a fee paid for products and services sold. It may be paid on the initial sale or on an ongoing basis. Commission is payable on the sale of an insurance product such as home contents. Examples of products and services on which ongoing commissions are paid include leasing and Sandhurst Trustees Limited products.

*Fee income*

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

*Discretionary financial contributions*

In addition to margin, commission and fee income, and separate from the franchise agreement, Bendigo and Adelaide Bank Limited has also made discretionary financial payments to the company. These are referred to by Bendigo and Adelaide Bank Limited as a "Market Development Fund" (MDF).

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 donations. It is for the board to decide how to use the MDF.

The payments from Bendigo and Adelaide Bank Limited are discretionary and Bendigo and Adelaide Bank Limited may change the amount or stop making them at any time.

*Ability to change financial return*

Under the franchise agreement, Bendigo and Adelaide Bank Limited may change the form and amount of financial return that the company receives. The reasons it may make a change include changes in industry or economic conditions or changes in the way Bendigo and Adelaide Bank Limited 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. The effect of the change on the revenue earned by the company is entirely dependent on the change.

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

Bendigo and Adelaide Bank Limited must give the company 30 days notice before it changes the products and services on which margin, commission or fee income is paid, the method of calculation of margin and the amount of margin, commission or fee income.

*Monitoring and changing financial return*

Bendigo and Adelaide Bank Limited monitors the distribution of financial return between **Community Bank®** companies and Bendigo and Adelaide Bank Limited on an ongoing basis.

Overall, Bendigo and Adelaide Bank Limited has made it clear that the **Community Bank®** model is based on the principle of shared reward for shared effort. In particular, in relation to core banking products and services, the aim is to achieve an equal share of Bendigo and Adelaide Bank Limited's margin.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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**Note 1. Summary of significant accounting policies *(continued)***

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**c) Income tax***Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or unrefundable).

*Deferred tax*

Deferred tax is accounted for using the balance sheet liability method on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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.

*Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in the Statement of Profit or Loss and Other Comprehensive Income, except when it relates to items credited or debited to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or gain from a bargain purchase.

**d) Employee entitlements**

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.

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

**e) Cash and cash equivalents**

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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**Note 1. Summary of significant accounting policies *(continued)***

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**f) Trade receivables and payables**

Receivables are carried at their amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the company.

**g) Property, plant and equipment**

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated at the rate equivalent to the available building allowance using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

- leasehold improvements	5 - 15	years
- buildings	40	years
- plant and equipment	2.5 - 40	years
- motor vehicles	3 - 5	years

**h) Intangibles**

The franchise fee paid to Bendigo and Adelaide Bank Limited has been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

The renewal processing fee paid to Bendigo and Adelaide Bank Limited when renewing the franchise agreement has also been recorded at cost and is amortised on a straight line basis over the life of the franchise agreement.

**i) Payment terms**

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days.

**j) Borrowings**

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

**k) Financial instruments*****Recognition and initial measurement***

Financial instruments, incorporating financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transaction costs. Financial instruments are classified and measured as set out below.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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**Note 1. Summary of significant accounting policies *(continued)***

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**k) Financial instruments *(continued)******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 entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

***Classification and subsequent measurement******(i) 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.

***(ii) Financial liabilities***

Financial liabilities include borrowings, trade and other payables and non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

***Impairment***

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

**l) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to 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 period.

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.

**m) Provisions**

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

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

**n) Issued capital**

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

**o) Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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**Note 1. Summary of significant accounting policies *(continued)***

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**p) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

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**Note 2. Financial risk management**

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The company's activities expose it to a limited variety of financial risks: market risk (including currency risk, fair value interest risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. 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 entity. The entity does not use derivative instruments.

Risk management is carried out directly by the board of directors.

**(i) Market risk**

The company has no exposure to any transactions denominated in a currency other than Australian dollars.

**(ii) 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.

**(iii) Credit risk**

The company has no significant concentrations of credit risk. It has policies in place to ensure that customers have an appropriate credit history. The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo and Adelaide Bank Limited.

**(iv) Liquidity risk**

Prudent liquidity management implies maintaining sufficient cash and marketable securities and the availability of funding from credit facilities. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

**(v) Cash flow and fair value interest rate risk**

Interest-bearing assets are held with Bendigo and Adelaide Bank Limited and subject to movements in market interest. Interest-rate risk could also arise from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest-rate risk. The company believes that its sound relationship with Bendigo and Adelaide Bank Limited mitigates this risk significantly.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

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### **Note 2. Financial risk management (*continued*)**

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#### (vi) Capital management

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

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

The distribution limit is the greater of:

- (a) 20% of the profit or funds of the franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the relevant rate of return multiplied by the average level of share capital of the franchisee over that 12 month period 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 year ended 30 June 2018 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.

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### **Note 3. Critical accounting estimates and judgements**

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Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### *Taxation*

Judgement is required in assessing whether deferred tax assets and certain tax liabilities are recognised on the balance sheet. Deferred tax assets, including those arising from carried-forward tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of future sales volumes, operating costs, capital expenditure, dividends and other capital management transactions. Judgements are also required about the application of income tax legislation.

These judgements and assumptions are subject to risk and uncertainty. There is therefore a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the balance sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amount of recognised deferred tax assets and liabilities may require adjustment, resulting in corresponding credit or charge to the Statement of Profit or Loss and Other Comprehensive Income.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 3. Critical accounting estimates and judgements (*continued*)

#### *Estimation of useful lives of assets*

The estimation of the useful lives of assets has been based on historical experience and the condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

#### *Impairment of assets*

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets that have an indefinite useful life to determine whether there is any indication that 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 the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Note 4. Revenue from ordinary activities	2018 \$	2017 \$
Operating activities:		
- gross margin	308,870	286,784
- services commissions	83,399	93,311
- fee income	19,205	22,476
- market development fund	37,500	37,500
- other revenue	389	500
Total revenue from operating activities	<u>449,363</u>	<u>440,571</u>
Non-operating activities:		
- interest received	4,697	3,103
- profit on sale of non-current assets	-	2,590
Total revenue from non-operating activities	<u>4,697</u>	<u>5,693</u>
Total revenues from ordinary activities	<u>454,060</u>	<u>446,264</u>

Great Southern Community Financial Services Limited

Notes to the Financial Statements

for the year ended 30 June 2018

<b>Note 5. Expenses</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Depreciation of non-current assets:		
- buildings	6,051	6,051
- plant and equipment	4,460	4,460
- leasehold improvements	102	87
- motor vehicle	325	7,212
Amortisation of non-current assets:		
- franchise agreement	2,268	2,268
- franchise renewal fee	11,343	11,343
	<u>24,549</u>	<u>31,421</u>
Finance costs:		
- interest paid	<u>1,917</u>	<u>3,202</u>
Bad debts	<u>267</u>	<u>321</u>

**Note 6. Income tax expense**

The components of tax expense comprise:		
- Current tax	10,954	12,522
- Movement in deferred tax	7,211	1,220
- Recoupment of prior year tax losses	-	4,453
	<u>18,165</u>	<u>18,195</u>

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows

Operating profit	66,056	66,158
Prima facie tax on profit from ordinary activities at 27.5% (2017: 27.5%)	18,165	18,194
Add tax effect of:		
- timing difference expenses	(7,211)	(507)
- other deductible expenses	-	(712)
	<u>10,954</u>	<u>16,975</u>
Movement in deferred tax	<u>7,211</u>	<u>1,220</u>
	<u>18,165</u>	<u>18,195</u>

**Note 7. Cash and cash equivalents**

Cash at bank and on hand	<u>227,621</u>	<u>212,321</u>
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# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

<b>Note 7.(a) Reconciliation to cash flow statement</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

Cash at bank and on hand	<u>227,621</u>	<u>212,321</u>
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<b>Note 8. Trade and other receivables</b>		
Trade receivables	32,175	33,139
Prepayments	4,819	4,894
Accrued income	1,109	-
	<u>38,103</u>	<u>38,033</u>

<b>Note 9. Property, plant and equipment</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Buildings</b>		
At cost	121,002	121,002
Less accumulated depreciation	(63,591)	(57,540)
	<u>57,411</u>	<u>63,462</u>
<b>Leasehold improvements</b>		
At cost	147,298	147,298
Less accumulated depreciation	(145,441)	(145,339)
	<u>1,857</u>	<u>1,959</u>
<b>Plant and equipment</b>		
At cost	56,194	56,194
Less accumulated depreciation	(53,250)	(48,790)
	<u>2,944</u>	<u>7,404</u>
<b>Motor vehicles</b>		
At cost	28,847	28,847
Less accumulated depreciation	(28,847)	(28,522)
	<u>-</u>	<u>325</u>
<b>Total written down amount</b>	<u>62,212</u>	<u>73,150</u>

### Movements in carrying amounts:

<b>Buildings</b>		
Carrying amount at beginning	63,462	69,513
Less: depreciation expense	(6,051)	(6,051)
Carrying amount at end	<u>57,411</u>	<u>63,462</u>

Great Southern Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2018

<b>Note 9. Property, plant and equipment (continued)</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Movements in carrying amounts: (continued)</b>		
Leasehold improvements		
Carrying amount at beginning	1,959	-
Additions	-	2,046
Less: depreciation expense	(102)	(87)
Carrying amount at end	<u>1,857</u>	<u>1,959</u>
Plant and equipment		
Carrying amount at beginning	7,404	11,864
Less: depreciation expense	(4,460)	(4,460)
Carrying amount at end	<u>2,944</u>	<u>7,404</u>
Motor vehicles		
Carrying amount at beginning	325	7,537
Disposals	-	(2,590)
Add: profit on disposal	-	2,590
Less: depreciation expense	(325)	(7,212)
Carrying amount at end	<u>-</u>	<u>325</u>
Total written down amount	<u>62,212</u>	<u>73,150</u>

**Note 10. Intangible assets**

Franchise fee		
At cost	41,343	41,343
Less: accumulated amortisation	(38,128)	(35,860)
	<u>3,215</u>	<u>5,483</u>
Renewal processing fee		
At cost	56,713	56,713
Less: accumulated amortisation	(41,589)	(30,247)
	<u>15,124</u>	<u>26,466</u>
Total written down amount	<u>18,339</u>	<u>31,949</u>

Great Southern Community Financial Services Limited  
Notes to the Financial Statements  
for the year ended 30 June 2018

<b>Note 11. Tax</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
Income tax payable	<u>2,128</u>	<u>12,522</u>
<b>Non-Current:</b>		
Deferred tax assets		
- accruals	770	743
- employee provisions	<u>1,368</u>	<u>5,024</u>
	<u>2,138</u>	<u>5,767</u>
Deferred tax liability		
- accruals	305	-
- property, plant and equipment	<u>5,383</u>	<u>2,105</u>
	<u>5,688</u>	<u>2,105</u>
Net deferred tax asset/(liability)	<u>(3,550)</u>	<u>3,662</u>
Movement in deferred tax charged to Statement of Profit or Loss and Other Comprehensive Income	<u>7,212</u>	<u>5,672</u>

**Note 12. Trade and other payables**

<b>Current:</b>		
Trade creditors	13,010	13,150
Other creditors and accruals	<u>18,329</u>	<u>13,964</u>
	<u>31,339</u>	<u>27,114</u>
<b>Non-Current:</b>		
Trade creditors	<u>-</u>	<u>12,947</u>

**Note 13. Borrowings**

<b>Current:</b>			
Chattel mortgage	Note 18	646	7,505
Bank loans		<u>14,400</u>	<u>14,400</u>
		<u>15,046</u>	<u>21,905</u>
<b>Non-Current:</b>			
Chattel mortgage	Note 18	-	646
Bank loans		<u>2,718</u>	<u>15,372</u>
		<u>2,718</u>	<u>16,018</u>

The outstanding bank loan is due to be fully repaid in the 2021/22 financial year and relates to a branch security upgrade. Interest is recognised at an average rate of 7.07% (2017: 8.83%). The chattel mortgage is due to be fully repaid during 2018/19 financial year and Interest on the chattel mortgage was recognised at an average rate of 6.73% (2017: 10.14%). The loans are secured by a fixed and floating charge over the company's assets.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

<b>Note 14. Provisions</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
Provision for annual leave	4,879	6,411
Provision for long service leave	-	11,499
	<u>4,879</u>	<u>17,910</u>
<b>Non-Current:</b>		
Provision for long service leave	<u>94</u>	<u>359</u>
<b>Note 15. Issued capital</b>		
292,750 ordinary shares fully paid (2017: 292,750)	<u>292,750</u>	<u>292,750</u>

Rights attached to shares

*(a) 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.

*(b) 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 and Adelaide Bank Limited 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).

*(c) 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 they control or own 10% or more of the shares in the company (the "10% limit").

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

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 15. Issued capital (*continued*)

#### Prohibited shareholding interest (*continued*)

Where a person has a prohibited shareholding interest, the voting and dividend rights attaching to the shares in which the person (and his or her associates) have a prohibited shareholding interest, 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 16. Accumulated losses	2018	2017
	\$	\$
Balance at the beginning of the financial year	(42,410)	(90,373)
Net profit from ordinary activities after income tax	47,891	47,963
Dividends provided for or paid	(11,710)	-
Balance at the end of the financial year	<u>(6,229)</u>	<u>(42,410)</u>

### Note 17. Statement of cash flows

Reconciliation of profit from ordinary activities after tax to net cash provided by operating activities

Profit from ordinary activities after income tax	47,891	47,963
Non cash items:		
- depreciation	10,938	17,810
- amortisation	13,611	13,611
Changes in assets and liabilities:		
- (increase)/decrease in receivables	(70)	(1,170)
- (increase)/decrease in other assets	18,983	14,968
- increase/(decrease) in payables	(8,724)	(14,699)
- increase/(decrease) in provisions	(13,296)	(4,120)
- increase/(decrease) in current tax liabilities	(10,394)	12,522
Net cash flows provided by operating activities	<u>58,939</u>	<u>86,885</u>

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

<b>Note 18. Leases</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Finance lease commitments		
Payable - minimum lease payments:		
- not later than 12 months	649	7,796
- between 12 months and 5 years	-	649
Minimum lease payments	649	8,445
Less future finance charges	(3)	(294)
Present value of minimum lease payments	<u>646</u>	<u>8,151</u>

The finance lease of \$33,500 for the motor vehicle, which commenced in July 2013, is a 5-year lease. Interest is recognised at an average rate of 6.73% (2017: 10.14%).

### Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - minimum lease payments:

- not later than 12 months	8,745	8,745
- between 12 months and 5 years	5,101	13,846
	<u>13,846</u>	<u>22,591</u>

The branch premises lease is a five year non-cancellable lease beginning 12 January 2015 with the option of two further five year terms. Current monthly payments of \$728.78 including GST (2017: \$801.66) are payable in advance on the first day of each month.

### Note 19. Auditor's remuneration

Amounts received or due and receivable by the auditor of the company for:

- audit and review services	4,400	4,200
- share registry services	3,610	1,885
- non audit services	3,102	3,050
	<u>11,112</u>	<u>9,135</u>

### Note 20. Director and related party disclosures

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

Andrew James Murray

Trevor Walter Prout

Anne-Marie Lockyer

Daniel Barbour

Diana Kim Taylor

Adrian Robert Bridge (*Resigned 30 November 2017*)

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

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 20. Director and related party disclosures *(continued)*

Directors Shareholdings	2018	2017
Andrew James Murray	2000	2,000
Trevor Walter Prout	2500	2,500
Anne-Marie Lockyer	1000	2,000
Daniel Barbour	-	-
Diana Kim Taylor	-	-
Adrian Robert Bridge (Resigned 30 November 2017)	500	500

### Note 21. Dividends provided or paid

	2018	2017
	\$	\$

#### a. Dividends paid during the year

Current year dividend		
100% (2017: 100%) franked dividend - 4 cents (2017: nil) per share	11,710	-

The tax rate at which dividends have been franked is 27.5% (2017: 27.5%).

#### b. Franking account balance

Franking credits available for subsequent reporting periods are:

- franking account balance as at the end of the financial year	73,122	56,126
- franking credits that will arise from payment of income tax as at the end of the financial year	2,128	12,522
- franking debits that will arise from the payment of dividends recognised as a liability at the end of the financial year	-	-

Franking credits available for future financial reporting periods:	75,250	68,648
--	--------	--------

- franking debits that will arise from payment of dividends proposed or declared before the financial report was authorised for use but not recognised as a distribution to equity holders during the period	-	-
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Net franking credits available	75,250	68,648
--------------------------------	--------	--------

### Note 22. Key management personnel disclosures

Remuneration paid to directors during the year is outline below:

Trevor Prout received remuneration of \$500 per month for performing the role of Company Treasurer.	6,000	6,000
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No other directors of the company receives remuneration for services as a company director or committee member.

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

<b>Note 23. Earnings per share</b>	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
(a) Profit attributable to the ordinary equity holders of the company used in calculating earnings per share	47,891	47,963
	<b>Number</b>	<b>Number</b>
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	292,750	292,750

### **Note 24. Events occurring after the reporting date**

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

### **Note 25. Contingent liabilities and contingent assets**

There were no contingent liabilities or contingent assets at the date of this report to affect the financial statements.

### **Note 26. Segment reporting**

The economic entity operates in the service sector where it facilitates **Community Bank®** services in Tambellup and Cranbrook, Western Australia pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

### **Note 27. Registered office/Principal place of business**

The entity is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is:

Registered Office  
36 Norrish St  
Tambellup WA 6320

Principal Place of Business  
36 Norish St  
Tambellup WA 6320

25 Granthorne St  
Granbrook WA 6321

# Great Southern Community Financial Services Limited

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 28. Financial instruments

#### Financial Instrument Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for all financial instruments, as well as the settlement period for instruments with a fixed period of maturity and interest rate.

Financial Instrument	Floating interest		Fixed interest rate maturing in						Non interest bearing		Weighted average	
			1 year or less		Over 1 to 5 years		Over 5 years					
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%
Financial assets												
Cash and cash equivalents	227,621	154,934	-	-	-	-	-	-	-	-	2.07	1.69
Receivables	-	-	-	-	-	-	-	-	32,175	30,116	N/A	N/A
Financial liabilities												
Interest bearing liabilities	29,772	40,963	7,505	7,060	646	8,173	-	-	-	-	10.27	18.13
Payables	-	-	-	-	-	-	-	-	26,097	39,442	N/A	N/A

#### Net Fair Values

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

#### Credit Risk

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the balance sheet and notes to the financial statements.

There are no material credit risk exposures to any single debtor or group of debtors under financial instruments entered into by the economic entity.

#### Interest Rate Risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from the interest bearing financial assets and liabilities in place subject to variable interest rates, as outlined above.

#### Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in interest rates.

As at 30 June 2018, the effect on profit and equity as a result of changes in interest rate, with all other variables remaining constant would be as follows:

	2018 \$	2017 \$
Change in profit/(loss)		
Increase in interest rate by 1%	1,897	987
Decrease in interest rate by 1%	(1,897)	(987)
Change in equity		
Increase in interest rate by 1%	1,897	987
Decrease in interest rate by 1%	(1,897)	(987)

# Great Southern Community Financial Services Limited

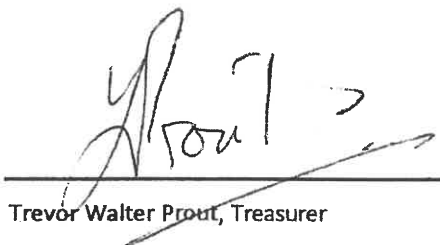
## Directors' Declaration

In accordance with a resolution of the directors of Great Southern Community Financial Services Limited, we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
  - (ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (c) the audited remuneration disclosures set out in the remuneration report section of the directors' report comply with Accounting Standard AASB124 Related Party Disclosures and the Corporations Regulations 2001.

This declaration is made in accordance with a resolution of the board of directors.



---

Trevor Walter Prout, Treasurer

Signed on the 25th of September 2018.



**Partners in success**

**Chartered Accountants**

61 Bull Street, Bendigo 3550  
PO Box 454, Bendigo 3552  
03 5443 0344  
[afsbendigo.com.au](http://afsbendigo.com.au)

## **Independent auditor's report to the members of Great Southern Community Financial Services Limited**

### **Report on the audit of the financial statements**

#### **Our opinion**

In our opinion, the financial report of Great Southern 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 2018 and of its performance for the year ended on that date; and
- ii. complying with Australian Accounting Standards.

#### **What we have audited**

Great Southern Community Financial Services Limited's (the company) financial report comprises the:

- ✓ Statement of profit or loss and other comprehensive income
- ✓ Balance sheet
- ✓ Statement of changes in equity
- ✓ Statement of cash flows
- ✓ Notes comprising a summary of significant accounting policies and other explanatory notes
- ✓ The directors' declaration of the entity.

#### **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.

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

#### **Other information**

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity'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.

### **Directors' responsibility for the financial report**

The directors of the company are responsible for the preparation of the financial report so 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.

### **Auditor's responsibility 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. 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/home.aspx>. This description forms part of our auditor's report.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo, 3550  
Dated: 25 September 2018



**David Hutchings**  
Lead Auditor

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners  
**in success**



61 Bull Street  
Bendigo VIC 3550

PO Box 454  
Bendigo VIC 3552

P 03 5443 0344

F 03 5443 5304

E [afs@afsbendigo.com.au](mailto:afs@afsbendigo.com.au)



[afsbendigo.com.au](http://afsbendigo.com.au)