Molonglo Financial Services Limited

ABN 77 100 097 443

ANNUAL REPORT 2013

Calwell **Community Bank®** Branch
Curtin **Community Bank®** Branch
Jerrabomberra **Community Bank®** Branch
Wanniassa **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2013

It is my pleasure to present the Molonglo Financial Services Limited 11th Annual Report.

Our company now operates four franchises of the Bendigo and Adelaide Bank. These four **Community Bank®** branches are throughout the Canberra and Queanbeyan region at Calwell, Curtin, Jerrabomberra and Wanniassa. We call on shareholders to support us in our long-term goal of providing banking services and much needed community funding through profits. This support is most beneficial by using and recommending the banking services that Calwell, Curtin, Jerrabomberra and Wanniassa **Community Bank®** branches offer.

The 2012/13 financial year was always going to be a tough year for the company: two fledgling branches, the post-GFC financial climate and the effects on business of political instability have all contributed to reduce revenues. There is no doubt that prevailing tough economic conditions have affected our operational profitability over the past year, resulting in much slower growth than expected of our two new branches. At the same time there has been a reduction in the way the Franchisor, Bendigo and Adelaide Bank, has chosen to calculate our share of banking profits - our only source of income. The net loss after tax credits was $326,648 for the year ended 30 June 2013.

Our company has a twofold purpose, firstly to provide a solid investment and return to our shareholders through comprehensive banking services and, secondly, to aid and support the local community.

Not unexpectedly there was a nil dividend declared for 2012/13. This was a result of a number of factors:

- The average time for a new **Community Bank®** branch to become profitable is around three years. Although the feasibility study for the establishment of our new branches at Jerrabomberra and Curtin confirmed this timetable, business growth to date indicates that it is likely to be a longer period.
- The performance of the company is largely dependent on the continuing strength of operations of the Calwell and Wanniassa **Community Bank®** branches. Although these branches continue to be profitable, they did not generate sufficient income to support Jerrabomberra and Curtin **Community Bank®** branches and produce a surplus for 2012/13.
- As mentioned, Bendigo and Adelaide Bank has substantially reduced the return to the **Community Bank®** branches from banking products. This has resulted in a reduction in income to all four of our branches. This will also extend the period before Jerrabomberra and Curtin branches become profitable.

Under the franchise agreement with Bendigo and Adelaide Bank we are required to pay all of the costs of our retail operations. Many of these charges are non-discretionary and so we are limited in being able to reduce costs substantially. I assure you, however, that the Board has taken a very responsible approach in containing costs and is committed to closely monitoring income and expenditure. I ask shareholders for patience in these early years of of operation of the Jerrabomberra and Curtin **Community Bank®** branches. While these branches are finding their feet, it is of upmost importance that your support for our company remains strong.

In meeting the philosophy of the **Community Bank®** concept of aiding and supporting our local community we have again been busy this past year. During 2012/13 we have continued sponsoring sporting associations and local community groups. With Branch Managers and branch staff support, as well as the Group General Manager Nick Brookes, the Board has worked hard to connect and support the local community. A few of the key

Chairman's report (continued)

highlights included continued major support for Snowy Hydro Southcare Helicopter, Home in Queanbeyan, which provides accommodation with dignity for those with mental Health issues, The Cancer Support Group and its invaluable work with victims and their families, and Raising Hope Foundation, providing mentoring and support for disadvantaged youth across the region.

I would like to take this opportunity to thank my fellow Board of Directors, Group General Manager Nicholas Brookes, Branch Managers and all of our fabulous and committed staff. Your hard work and dedication to support the strategic direction of our company is most appreciated.

Jayson Richard Hinder
Chairman

Group General Manager's report

For year ending 30 June 2013

In August 2012 I joined the company as Group General Manager, following employment with Bendigo and Adelaide Bank since 2003 as Community Strengthening Manager NSW/ACT. In this capacity I provided guidance to Molonglo Financials Services Limited MFSL on the development and opening of both the Jerrabomberra and Curtin **Community Bank®** branches.

The 2013 financial year resulted in a number of milestones being reached for the company. This included the Calwell and Wanniassa **Community Bank®** branches celebrating 10 years of operation, as well as the company distributing its millionth dollar back in community contributions. The company celebrated the 10-year milestone with $300,000 in contributions to community groups and projects. Part of this incorporated our 100 Community Heroes program that included grants of $1,000 each to 100 community groups. Further, in 2013 we announced our $100,000 contribution and partnership with the National Health Cooperative, which provides a bulk-billing facility to the Tuggeranong Valley where our first two branches were established. Key outcomes of both the 100 Community Heroes program and The National Health Cooperative launch were strong media exposure for our branches including WIN TV and diversifying our community reach to over 200 Capital Region groups.

The 2013/14 financial year proved to be a challenging year for the company with the two newer branches underperforming due to poor lending growth, the turnover of Curtin and Calwell **Community Bank®** Branch Managers and an increasingly competitive environment for retail banking. The company footings did however grow to $215 million from $189 million last financial year, up by 13.5% during the 12 months.

Deposit growth for the company was up by $14 million to $104 million, an increase of 15.2%, compared with growth in the previous financial year of $10 million.

Lending growth for the company has been a concern and will continue to be the key focus for the current financial year. The lending book grew by $8.8 million to $104 million, an increase of 9.3%, whereas in the previous financial year the lending book increased by $12 million. The wealth and other business segments were a particular highlight. Growth rates were 75% and 83% respectively with the total of these segments up to $7 million.

Our customer numbers grew by 596 to 7,606, while our products-per-customer remain steady. The products-per-customer segment is a particular area of focus during the current financial year as we aim to build stronger relationships with our shareholders and current clients.

Branches and staff

To strengthen the group's lending and management capacity we recruited two highly experienced managers for Calwell and Curtin **Community Bank®** branches. Cindy Duffus, previously six years at Bungendore **Community Bank®** Branch, including Branch Manager for two years, was recruited to manage the Calwell **Community Bank®** Branch. Damian McNamara, previously a Senior Business Banker at one of the big four banks, was recruited to manage the Curtin **Community Bank®** Branch. These two managers joined our longer-term management team, Denise Weisse at the Wanniassa **Community Bank®** Branch and Jon Wells at the Jerrabomberra **Community Bank®** Branch.

Individual branch results:

- Calwell **Community Bank®** Branch was a highlight for MFS, in terms of income generated for the company, due to the heavy loan book of $51 million. However, lending was down by $2 million for the year and deposits down $1 million for the year to $33 million. Total funds under management were down slightly to $85 million.
- Curtin **Community Bank®** Branch had a weak lending result this year with $6.5 million now on the books. The deposit growth of $11 million was the highlight and this takes the overall funds under management to $21 million.

Group General Manager's report (continued)

- Jerrabomberra **Community Bank®** Branch also had weak lending growth of $3 million although deposit growth was $5 million. The branch finished the financial year with $24 million funds under management.
- Wanniassa **Community Bank®** Branch was the clear highlight for the business in terms of funds under management growth. Despite being a mature branch the result achieved was lending growth of $7.5 million to $34.5 million and deposit growth of $424,000 taking the total business size to $85 million.

Other staffing outcomes included the analysis of the staffing compliment across our four branches. We came to the conclusion that much of the experience was based at our higher performing Calwell and Wanniassa **Community Bank®** branches, while the newer branches struggling to build profitability had junior staff who were still learning the **Community Bank®** model of doing business. A restructure was put in place that better spread our staffing skills across the group, especially strengthening the Jerrabomberra and Curtin **Community Bank®** branches. The new branch teams have bedded down well and we are already seeing better financial results and enhanced customer service levels for the network.

A number of staff were recognised this financial year for long service with MFSL including Sue Bowden reaching ten years and Tania Hobson, Sheree Kent, Allison Cottam and Nicole Salkeld recognised for over five years with us. We thank these staff for their loyalty to the business and customers.

During the financial year we negotiated a new Enterprise Agreement with staff that was very similar to the Enterprise Agreement Bendigo and Adelaide Bank had in place with its staff. We have further recognised our staffing group with an addition $1,000 on top of their salary grading to reward the significant time **Community Bank®** branch staff put toward community engagement. We see such an initiative as an investment in our staff who are vital to this business achieving strong growth.

Board support

I would personally like to thank the board and MFS administration team (Cally Hannah and Klarisa Cengic) for their continued support and friendship. In my first year with MFSL the challenges have been constant and yet we continue to move forward with a unified approach towards the overall goal of building our community point of difference within the Canberra region and building the Number One customer-connected bank. The passion and dedication shown by this highly skilled board, branch team and administration team make the company a rewarding place to work. Our Directors embrace and strengthen community connections that are a key ingredient of the success of the company. The engagement with the Capital Region community groups, our clients and our shareholder base have been a further highlight for me.

Summary

I congratulate and thank all our staff for their efforts and achievements during what has been a challenging 12 months. Many initiatives and tough decisions have been made with the long-term success of the company in mind. I also thank our shareholders and clients for their continued support of MFSL and the **Community Bank®** model. I urge you all to continue to spread the word about the **Community Bank®** concept and our branches to friends, family and colleagues, particularly in the newer target markets of Woden and Queanbeyan. I look forward to significantly improving on the above results during the current financial year.

Nicholas Brookes
Group General Manager

Directors' report

For the financial year ended 30 June 2013

Your directors submit the financial statements of the company for the financial year ended 30 June 2013.

Directors:

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

Jayson Richard Hinder
Chairman
Occupation: Solicitor
Jayson studied at the Australian National University and obtained degrees in both Law and Political Science. Currently the Principal Solicitor at Jayson Hinder and Associates, Jayson's past positions include Partner in several high profile Canberra law firms. Prior to becoming a lawyer Jayson managed a group of companies engaged in Civil Engineering, Property Construction and Multi Unit developments and Green Fields residential Subdivisions. Originally trained as a motor mechanic Jayson has managed a range of businesses for both himself and others. Jayson is passionate about Rugby Union and currently plays with the ACT Veterans Rugby. Jayson is ex-officio of all Committees.

Wendy Kaye Noel
Independent Non-executive Director/Treasurer
(Appointed 4 February 2013)
Occupation: Accountant
Wendy is the Group Accountant at Capital Chemist, a local pharmacy group with over 30 pharmacies. She is a CPA with a Bachelor of Arts (Accounting). She has owned and worked with a range of small businesses for over 30 years.
Chair: Audit and Finance

Alan Hayllar Hodges AM
Independent Non-executive Director
Occupation: Consultant
Has broad policy, management and personnel experience in the Army and the Australia Public Service. As a brigadier he had senior Defence and Army appointments, including Commander of the Army in Western Australia. Subsequently, in the Australian Public Service he was Director General Emergency Management Australia for five years. He has undertaken consultancy tasks with the Federal, Victorian and New Zealand Governments, national peak bodies and a number of community organisations. He is currently on the board of Relationships Australia, Canberra and Region and is a member of a number of faith-based committees. Alan is a Member of the Order of Australia and has degrees in Civil Engineering, Economics and Commerce.
Chair: Governance & Strategic Planning, Member: Finance and Audit Committee.

Benjamin Patrick Duggan
Independent Non-executive Director
Occupation: Student
Ben Duggan is the Founder and Managing Director of Raising Hope Education Foundation. He is currently completing studies at the Australian National University and was Chair of the Australian National University Union Inc. Ben has previously been employed as an Advisor to a Federal Member of Parliament and an Electorate Officer for a State Member of Parliament. He has also worked for Teach for Australia. Ben has studied on a scholarship at the School for Social Entrepreneurs and received a scholarship from the Foundation for Young Australians for their Young Social Pioneers program. He also received a Miekle Files Black Leadership Scholarship for not-for-profit leaders. Ben is a representative for NSW on the Australian Youth Forum, is a member of Lions Australia, a White Ribbon Ambassador and an active volunteer in the community.
Member: Audit and Finance, Governance and Strategic Planning, Business and Marketing and Human Resources Committees

Directors (continued)

Neale Desmond Guthrie
Independent Non-executive Director
Occupation: Senior Executive
Neale has nearly eight years' experience as a Senior Executive in the ACT Public Service. He has served on five management boards for ACT Government managed agencies. Neale also has over 30 years of management experience in various leadership and management roles in the Australian Regular Army, private industry and ACT Public Service. Neale has attained the following degrees: Master of Science (Management), Graduate Diploma (Management), Bachelor of Engineering (Civil).
Chair: Business Development and Marketing and Sponsorship committees.

Brian Joseph Brown
Independent Non-executive Director
Occupation: Councillor
Councillor at Queanbeyan City Council. Deputy Chair at Regional Development Australia Southern Inland Member of Queanbeyan Local Health Services Advisory Committee.
Chair: Human Resources and Organisational Development, Member: Audit and Finance.

Simon Gerald Hulett Maddox
Independent Non-executive Director
(Appointed 8 November 2012)
Occupation: Owner, Beyond Q
Simon studied Arts/Law before switching to Architecture. Simon has also completed a Post Graduate Diploma in Social Communication. Simon was a founding member of the Curtin **Community Bank®** Steering Committee, taking the role of Chair after Vincent Tran left for Sydney.

Ann Jennifer Dalton
Independent Non-executive Director
(Appointed 8 November 2012)
Occupation: Ann Dalton is currently the National Director, Policy and Regulatory Affairs with The Pharmacy Guild of Australia, National Secretariat and oversees and coordinates strategic policy issues and regulatory matters. Ann has made significant contribution to community pharmacy through her various positions at the Guild, which include acting Director of the Quality Care Pharmacy Division, ACT Branch Director and National Manager, Special Projects. Prior to joining the Guild, Ann ran her own small communication consultancy and for some years managed her family's bookselling business. Ann has a BA Communication and is a Member of the Public Relations Institute of Australia. She is the co-author/publisher of the best selling parenting resource 'The Canberra Baby Book'.

Susan Jane Marriage
Independent Non-executive Director
(Resigned 1 August 2012)
Occupation: CEO -Physical Activity Foundation

Johnny Maljkovic
Independent Non-executive Director (Resigned 21 May 2013)
Occupation: Recruitment Specialist
Bachelor of Economics (ANU, 1995), past member of ATO Commissioner's Small Business Consultant Group and Small Business Advisory Group. Member of Federal Small Business Council and ACT Small and Micro Business Advisory Council.
Member: Human Resources and Business Development & Marketing.

Directors (continued)

Maria Grazia Porreca
Independent Non-executive Director
(Resigned 8 November 2012)
Occupation: Self Employed/Semi Retired
Secretarial Qualifications (Metropolitan Business College Canberra), CIT word Processing Certificate, Accredited 'Greensmart' Builder 2001. Have worked in real estate, Malta High Commission, Departments of Defence and Education, ACT Institute of Tafe (now CIT) and Director/Secretary of our family owned companies. I have been involved in community groups such as the Good Neighbour Council, Queanbeyan; Italian-Australian Catholic Youth Association; Volunteer work for Marymead; Secretary and Treasurer for social clubs of both Departments of Defence and Education; Volunteer at Fadden Primary School; Member of MBA Residential Builder's Committee; Secretary of 'Weetalabah Community' Executive Committee; Secretary of Tuggeranong Valley Financial Institution Steering Committee prior to becoming a Board Member and member of the Queanbeyan Health Walking Group since its inception in 2006.
Member: Special Projects

Nadine Lee White
Independent Non-executive Director
(Resigned 23 September 2012)
Occupation: HR Director
Bachelor of Law and Administration, Bachelor of Laws (Hons), Doctor of Philosophy. Over 20 years experience in complex employment matters, industrial relations, human resource management and change management.
Chair: HR; Member: Audit & Finance

Nicholas Christos Kalogeropoulos
Independent Non-executive Director
(Resigned 4 February 2013)
Occupation: Chief Financial Officer
BCom (ANU), BEc (ANU), CPA. CFO of Molonglo Group, previously CFO of Territory & Municipal Services and Action Bus Service. Former Director of ACT Festivals Inc and former Treasurer of Greek Community Canberra.
Chair: Audit/Finance

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

Company Secretary

The company secretary is Nicholas Brookes, he was appointed to the role of the Company Secretary on 21 March 2013 replacing Benjamin Duggan.

Occupation: Group General Manager - Molonglo Financial Services Limited (MFSL)

Joined Bendigo Bank in 2003 after completing a Bachelor of Business and more recently Frontline Management. During his time with Bendigo Bank Nicholas worked in a variety of branch and management roles finishing up at the State Office as Community Strengthening Manager NSW / ACT. He project managed the opening of Jerrabomberra and Curtin **Community Bank®** branches. Nicholas joined MFSL in August 2013 as Group General Manager.

Company Secretary (continued)

Member: Audit & Finance, Business Development, Marketing & Sponsorships, Governance & Strategic Planning, HR & O.

Principal Activities

The principal activities of the company during the course of the financial year were in facilitating **Community Bank®** services under management rights to operate a franchised branch 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 for the Calwell and Wanniassa branches. However, Jerrabomberra branch (opened November 2011) and Curtin branch (opened June 2012) have been slower to develop business than estimated in the feasibility studies undertaken before the establishment of these branches. The loss of the company for the financial year after provision for income tax was:

	Year ended 30 June 2013 $	Year ended 30 June 2012 $
	(326,648)	(133,303)

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.

Significant Changes in the State of Affairs

In the opinion of the directors there were no other 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.

Matters Subsequent to 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.

Remuneration Report

<u>Remuneration Policy</u>

The remuneration policy of Molonglo Financial Services Limited 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 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.

Remuneration Report (continued)

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

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, bonuses and options. Any changes 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 results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which was 9% in 2012-13, and do not receive any other retirement benefits.

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.

Remuneration Structure

Non-executive Directors are paid Directors' fees as disclosed below. During the year one of the directors undertook an Administration Manager role and was remunerated at market rates for the duties undertaken.

Non-executive Director Remuneration Policy

The Board's policy is to remunerate non-executive directors at token rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability. The maximum aggregate amount of fees that can be paid to Directors requires approval by shareholders as required by the Corporations Act 2001 and is currently an amount up to $40,000 in aggregate. However, as a result of the downturn in the profits for the company, the Board decided to limit the distribution to $8,600 (the distribution that had already occurred by the decision date).

Performance Based Remuneration

The key performance indicators (KPIs) are set annually in consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area in which each individual is involved and has a level of control. The KPIs target areas the Board believes hold greater potential for 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 board 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.

The Company does not pay performance-based remuneration to any Director.

Remuneration Report (continued)

Relationship Between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on key performance indicators as disclosed above.

The Group General Manager is paid a base salary which is between $100,000 and $120,000 plus the use of a company car. In addition the Group General Manager receives a bonus if the company exceeds the performance criteria established by the Board. The potential bonus exposure is capped at $40,000 for the Group General Manager.

Company Performance, Shareholder Wealth and Directors' and Executives' Remuneration.

The following table shows the gross revenue, profits and dividends for the last five years of the entity.

	2013	2012	2011*	2010	2009
Revenue	2,184,131	2,005,264	1,832,812	1,615,193	1,490,776
Net Profit/(Loss)	(326,648)	(133,303)	110,815	84,987	230,573
Dividend paid per share	Nil	2.0c	2.5c	3.0c	5.5c
Gross dividend paid	-	60,288	63,000	75,600	55,440

* A 3 for 2 bonus share issue occurred during the year.

	Salary, Fees & Commissions $	Superannuation Contributions $	Total $
Jayson Richard Hinder	2,313	-	2,313
Wendy Kaye Noel (Appointed 4 February 2013)	-	-	-
Alan Hayllar Hodges	925	-	925
Benjamin Patrick Duggan	1,270	-	1,270
Neale Desmond Guthrie	925	-	925
Brian Joseph Brown	613	-	613
Simon Gerald Hulett Maddox (Appointed 8 November 2012)	-	-	-
Ann Jennifer Dalton (Appointed 8 November 2012)	-	-	-
Nadine Lee White (Resigned 23 September 2012)	1,068	-	1,068
Maria Grazia Porreca (Resigned 8 November 2012)	-	-	-
Johnny Maljkovic (Resigned 21 May 2013)	636	-	636
Susan Jane Marriage (Resigned 1 August 2012)	259	-	259
Nicholas Christos Kalogeropoulos (Resigned 4 February 2013)	775	-	775
	8,784	**-**	**8,784**

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 Attended		Committee Meetings Attended													
			Audit and Finance		Community Partnerships & Relations		Human Resources		Business Development & Marketing		Governance & Strategic		Business Development, Sponsorships & Marketing	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Jayson Richard Hinder	12	11	7	6	6	6	2	2	6	5	9	7	3	3
Wendy Kaye Noel	5	5	7	7	-	-	-	-	-	-	-	-	-	-
Alan Hayllar Hodges	12	12	7	6	-	-	-	-	6	6	9	9	3	3
Benjamin Patrick Duggan	12	11	7	4	6	6	2	-	6	4	9	4	3	1
Neale Desmond Guthrie	12	12	-	-	6	5	-	-	6	6	-	-	3	3
Brian Joseph Brown	12	12	7	6	6	5	2	2	6	5	-	-	3	3
Simon Gerald Hulett Maddox	7	4	-	-	2	1	2	1	-	-	-	-	2	-
Ann Jennifer Dalton	7	3	-	-	-	-	-	-	-	-	9	6	-	-
Nadine Lee White	3	3	-	-	-	-	1	1	-	-	-	-	-	-
Maria Grazia Porreca	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Johnny Maljkovic	10	6	-	-	-	-	2	2	6	5	-	-	2	1
Susan Jane Marriage	2	-	-	-	-	-	-	-	-	-	-	-	-	-
Nicholas Christos Kalogeropoulos	6	4	-	-	-	-	-	-	-	-	-	-	-	-

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, in accordance with the advice received from the audit committee 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 audit committee 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.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

Signed in accordance with a resolution of the board of directors at Calwell, Australian Capital Territory on 12 September 2013.

Jayson Richard Hinder,
Chairman

Auditor's independence declaration

Partners in success
Chartered Accountants

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

I declare, that to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit
- any applicable code of professional conduct in relation to the audit.

David Hutchings
Andrew Frewin Stewart
61 Bull Street, Bendigo Vic 3550

Dated: 12 September 2013

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TAXATION • AUDIT • BUSINESS SERVICES • FINANCIAL PLANNING

ABN: 51 061 795 337

Financial statements

Statement of Comprehensive Income for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Revenues from ordinary activities	4	2,184,131	2,005,264
Employee benefits expense		(1,477,339)	(1,203,994)
Charitable donations, sponsorship, advertising and promotion		(213,727)	(243,975)
Occupancy and associated costs		(278,697)	(214,050)
Systems costs		(129,174)	(79,397)
Depreciation and amortisation expense	5	(145,340)	(107,387)
Finance costs	5	(2,325)	(15)
General administration expenses		(404,732)	(365,409)
Loss before income tax credit		**(467,203)**	**(208,963)**
Income tax credit	6	140,555	75,660
Loss after income tax credit		**(326,648)**	**(133,303)**
Total comprehensive income for the year		**(326,648)**	**(133,303)**
Earnings per share (cents per share)		**c**	**c**
- basic for profit for the year	23	(8.60)	(3.59)

The accompanying notes form part of these financial statements.

Balance Sheet
as at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	597,535	936,861
Trade and other receivables	8	155,889	206,384
Total Current Assets		**753,424**	**1,143,245**
Non-Current Assets			
Property, plant and equipment	9	626,558	572,447
Intangible assets	10	219,244	159,332
Deferred tax assets	11	222,071	75,516
Total Non-Current Assets		**1,067,873**	**807,295**
Total Assets		**1,821,297**	**1,950,540**
LIABILITIES			
Current Liabilities			
Trade and other payables	12	108,023	41,386
Current tax liabilities	11	-	1,145
Borrowings	13	28,943	18,869
Provisions	14	66,537	38,172
Total Current Liabilities		**203,503**	**99,572**
Non-Current Liabilities			
Trade and other payables	12	9,024	12,024
Borrowings	13	94,249	-
Provisions	14	6,302	4,077
Total Non-Current Liabilities		**109,575**	**16,101**
Total Liabilities		**313,078**	**115,673**
Net Assets		**1,508,219**	**1,834,867**
Equity			
Issued capital	15	2,223,293	2,223,293
Accumulated losses	16	(715,074)	(388,426)
Total Equity		**1,508,219**	**1,834,867**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the Year Ended 30 June 2013

	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011	**1,456,582**	**(194,835)**	**1,261,747**
Total comprehensive income for the year	**-**	**(133,303)**	**(133,303)**
Transactions with owners in their capacity as owners:			
Shares issued during period	783,700	-	494,401
Costs of issuing shares	(16,989)	-	(30,305)
Dividends provided for or paid	-	(60,288)	(138,601)
Balance at 30 June 2012	**2,223,293**	**(388,426)**	**1,453,939**
Balance at 1 July 2012	**2,223,293**	**(388,426)**	**1,834,867**
Total comprehensive income for the year	**-**	**(326,648)**	**(326,648)**
Transactions with owners in their capacity as owners:			
Shares issued during period		-	-
Costs of issuing shares		-	-
Dividends provided for or paid	-		-
Balance at 30 June 2013	**2,223,293**	**(715,074)**	**1,508,219**

The accompanying notes form part of these financial statements.

Statement of Cashflows
for the Year Ended 30 June 2013

	Note	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from customers		2,414,639	2,105,853
Payments to suppliers and employees		(2,618,966)	(2,267,412)
Interest received		26,135	35,515
Interest paid		(2,325)	(15)
Income taxes received		(7,145)	(23,291)
Net cash used in operating activities	**17**	**(187,662)**	**(149,350)**
Cash Flows From Investing Activities			
Payments for property, plant and equipment		(140,615)	(542,502)
Payments for intangible assets		(115,372)	(160,000)
Net cash used in investing activities		**(255,987)**	**(702,502)**
Cash Flows From Financing Activities			
Proceeds from issues of shares		-	766,711
Proceeds from borrowings		140,000	-
Repayment of borrowings		(35,677)	(5,556)
Dividends paid		-	(60,288)
Net cash provided by financing activities		**104,323**	**700,867**
Net decrease in cash held		**(339,326)**	**(150,985)**
Cash and cash equivalents at the beginning of the financial year		936,861	1,087,846
Cash and cash equivalents at the end of the financial year	**7(a)**	**597,535**	**936,861**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2013

Note 1. Summary of Significant Accounting Policies

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 Standard Boards and the Corporations Act 2001. The company is a for-profit entity for the purpose of preparing the financial statements.

<u>Compliance with IFRS</u>

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

<u>Critical accounting estimates</u>

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 are significant to the financial statements are disclosed in note 3.

<u>Historical cost convention</u>

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.

<u>Comparative figures</u>

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

<u>Adoption of new and revised Accounting Standards</u>

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. Amendments made to AASB 101 Presentation of Financial Statements effective 1 July 2012 now require the statement of comprehensive income to show the items of comprehensive income grouped into those that are not permitted to be reclassified to profit or loss in a future period and those that may have to be reclassified if certain conditions are met. This amendment has not affected the presentation of the statement of comprehensive income of the company in the current period and is not likely to affect future periods.

The company has not elected to apply any pronouncements before their mandatory operative date in the annual reporting period beginning 1 July 2012.

Note 1. Summary of Significant Accounting Policies (continued)

a) Basis of Preparation (continued)

Economic dependency - Bendigo and Adelaide Bank Limited

The company has entered into franchise agreements with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank®** branch at Calwell, Wanniassa and Curtin in the Australian Capital Territory and Jerrabomberra in New South Wales.

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.

Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank®** branch 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®** branch;
- 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; and
- 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 benefit 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 with Bendigo and Adelaide Bank Limited provides for three types of revenue earned by the company. First, the company is entitled to 50% of the monthly gross margin earned by Bendigo and Adelaide Bank Limited on products and services provided through the company that are regarded as “day to day” banking business (ie ‘margin business’). This arrangement also means that if the gross margin reflects a loss (that is, the gross margin is a negative amount), the company effectively incurs, and must bear, 50% of that loss.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

b) Revenue (continued)

Revenue calculation (continued)

The second source of revenue is commission paid by Bendigo and Adelaide Bank Limited on the other products and services provided through the company (i.e. 'commission business'). The commission is currently payable on various specified products and services, including insurance, financial planning, common fund, Sandhurst Select, superannuation, commercial loan referrals, products referred by Rural Bank, leasing referrals, fixed loans and certain term deposits (>90 days). The amount of commission payable can be varied in accordance with the Franchise Agreement (which, in some cases, permits commissions to be varied at the discretion of Bendigo and Adelaide Bank Limited). This discretion has been exercised on several occasions previously. For example in February 2011 and February 2013 Bendigo and Adelaide Bank Limited reduced commissions on two core banking products to ensure a more even distribution of income between Bendigo and Adelaide Bank Limited and its **Community Bank®** partners. The revenue share model is subject to regular review to ensure that the interests of Bendigo and Adelaide Bank Limited and **Community Bank®** companies remain balanced.

The third source of revenue is a proportion of the fees and charges (ie, what are commonly referred to as 'bank fees and charges') charged to customers. This proportion, determined by Bendigo and Adelaide Bank Limited, may vary between products and services and may be amended by Bendigo and Adelaide Bank Limited from time to time.

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 refundable).

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 consolidated 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 company entity intends to settle its tax assets and liabilities on a net basis.

Notes to the financial statements (continued)

Note 1. Summary of Significant Accounting Policies (continued)

c) Income Tax (continued)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the statement of 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 excess.

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.

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 is reviewed at the end of each annual reporting period.

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

- leasehold improvements	40 years
- plant and equipment	2.5 - 40 years
- furniture and fittings	4 - 40 years

Note 1. Summary of Significant Accounting Policies (continued)

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 franchise 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.

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.

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) 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 entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

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 comprehensive income.

Note 1. Summary of Significant Accounting Policies (continued)

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 of 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) Contributed Equity

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.

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.

Note 2. Financial Risk Management

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.

(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.

(i) the distribution limit is the greater of:

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

(ii) the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

Note 2. Financial Risk Management (continued)

(vi) Capital management (continued)

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 2013 can be seen in the statement of comprehensive income.

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

Note 3. Critical Accounting Estimates and Judgements

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 un-recouped 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, hence there is 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 comprehensive income.

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.

Note 3. Critical Accounting Estimates and Judgements (continued)

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 consolidated 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.

	2013 $	2012 $
Note 4. Revenue from Ordinary Activities		
Operating activities:		
- services commissions	2,150,563	1,972,144
- other revenue	354	-
Total revenue from operating activities	**2,150,917**	**1,972,144**
Non-operating activities:		
- interest received	29,838	33,120
- profit on disposal of non-current asset	3,376	-
Total revenue from non-operating activities	**33,214**	**33,120**
Total revenues from ordinary activities	**2,184,131**	**2,005,264**

	Note	2013 $	2012 $

Note 5. Expenses

Depreciation of non-current assets:			
- plant and equipment		22,644	53,648
- leasehold improvements		40,338	19,426
- motor vehicle		26,897	3,645
Amortisation of non-current assets:			
- franchise agreement		8,692	5,334
- franchise renewal fee		46,769	25,334
		145,340	**107,387**
Finance costs:			
- interest paid		**2,325**	**15**

Note 6. Income Tax Expense

The components of tax expense comprise:			
- Future income tax benefit attributed to losses		(126,527)	(63,593)
- Movement in deferred tax		(8,028)	(67)
- Adjustments to tax expense of prior periods		(6,000)	(12,000)
		(140,555)	**(75,660)**
The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax credit as follows:			
Operating loss		(467,203)	(208,963)
Prima facie tax on loss from ordinary activities at 30%		(140,159)	(62,689)
Add tax effect of:			
- non-deductible expenses		9,775	3,200
- timing difference expenses		8,028	67
- other deductible expenses		(4,171)	(4,171)
		(126,527)	**(63,593)**
Movement in deferred tax	11	(8,028)	(67)
Adjustments to tax expense of prior periods		(6,000)	(12,000)
		(140,555)	**(75,660)**

	2013 $	2012 $

Note 7. Cash and Cash Equivalents

	2013 $	2012 $
Cash at bank and on hand	172,333	476,500
Term deposits	425,202	460,361
	597,535	**936,861**

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cashflows as follows:

Note 7.(a) Reconciliation of cash

	2013 $	2012 $
Cash at bank and on hand	172,333	476,500
Term deposits	425,202	460,361
	597,535	**936,861**

Note 8. Trade and Other Receivables

	2013 $	2012 $
Trade receivables	144,706	185,572
Other receivables and accruals	6,210	18,305
Prepayments	4,973	2,507
	155,889	**206,384**

Note 9. Property, Plant and Equipment

	2013 $	2012 $
Plant and equipment		
At cost	286,360	268,404
Less accumulated depreciation	(180,326)	(157,680)
	106,034	**110,724**
Leasehold improvements		
At cost	472,239	470,214
Less accumulated depreciation	(59,764)	(19,426)
	412,475	**450,788**
Motor vehicle		
At cost	132,453	41,395
Less accumulated depreciation	(24,404)	(30,460)
	108,049	**10,935**
Total written down amount	**626,558**	**572,447**

	2013 $	2012 $

Note 9. Property, Plant and Equipment (continued)

Movements in carrying amounts:

	2013 $	2012 $
Plant and equipment		
Carrying amount at beginning	110,724	161,680
Additions	17,954	72,289
Disposals	-	(69,596)
Less: depreciation expense	(22,644)	(53,649)
Carrying amount at end	**106,034**	**110,724**
Leasehold improvements		
Carrying amount at beginning	450,788	-
Additions	2,025	470,214
Disposals	-	-
Less: depreciation expense	(40,338)	(19,426)
Carrying amount at end	**412,475**	**450,788**
Motor vehicle		
Carrying amount at beginning	10,935	14,580
Additions	132,453	-
Disposals	(8,442)	-
Less: depreciation expense	(26,897)	(3,645)
Carrying amount at end	**108,049**	**10,935**
Total written down amount	**626,558**	**572,447**

Note 10. Intangible Assets

Franchise fee

	2013 $	2012 $
At cost	163,074	140,000
Less: accumulated amortisation	(128,026)	(119,334)
	35,048	**20,666**
Renewal processing fee		
At cost	172,298	80,000
Less: accumulated amortisation	(90,768)	(72,000)
	81,530	**8,000**

Notes to the financial statements (continued)

	2013 $	2012 $

Note 10. Intangible Assets (continued)

Establishment processing fee		
At cost	140,000	140,000
Less: accumulated amortisation	(37,334)	(9,334)
	102,666	**130,666**
Total written down amount	**219,244**	**159,332**

Note 11. Tax

Current:		
Income tax payable	**-**	**1,145**
Non-Current:		
Deferred tax assets		
- employee provisions	21,814	12,675
- tax losses carried forward	202,120	63,593
	223,934	**76,268**
Deferred tax liability		
- accruals	1,863	752
	1,863	**752**
Net deferred tax asset	**222,071**	**75,516**
Adjustments to tax expense of prior periods	6,000	12,000
Movement in deferred tax charged to statement of comprehensive income	**(146,555)**	**(63,660)**

Note 12. Trade and Other Payables

Current:		
Trade creditors	59,498	14,756
Other creditors & accruals	45,525	23,630
Lease incentive	3,000	3,000
	108,023	**41,386**
Non-current:		
Lease incentive	9,024	12,024
	117,047	**53,410**

	Note	2013 $	2012 $

Note 13. Borrowings

	Note	2013 $	2012 $
Current:			
Credit card facilities		2,781	3,306
Lease liability	18	26,162	15,563
		28,943	**18,869**
Non-Current:			
Lease liability	**18**	**94,249**	**-**

There are two chattel mortgages on motor vehicles, one being for $90,000 and the other for $50,000. Both are repayable monthly with the final instalments due in September and November 2015 respectively. Interest is recognised at an average rate of 5.75% and 5.50% respectively. The loans are secured by a fixed and floating charge over the company's assets.

The credit card facilities are not secured. The company has six credit card facilities with the following credit limits:

Board:	$5,000	(2012: $5,000)
Managers:	$1,000	(2012: $1,000)
Jerrabomberra:	$1,000	(2012: Nil)
Curtin:	$2,500	(2012: Nil)
Calwell:	$1,000	(2012: Nil)
Wanniassa:	$1,000	(2012: Nil)

Note 14. Provisions

	2013 $	2012 $
Current:		
Provision for annual leave	58,857	35,689
Provision for long service leave	7,680	2,483
	66,537	**38,172**
Non-Current:		
Provision for long service leave	**6,302**	**4,077**

	2013 $	2012 $

Note 15. Contributed Equity

	2013 $	2012 $
3,798,115 # ordinary shares fully paid (2012: 3,798,115)	1,008,007	1,008,007
494,401 ordinary shares fully paid (Jerrabomberra)	494,401	494,401
783,700 ordinary shares fully paid (Curtin)	783,700	783,700
Less: equity raising expenses (Jerrabomberra)	(32,082)	(32,082)
Less: equity raising expenses (Curtin)	(30,733)	(30,733)
	2,223,293	**2,223,293**

1,512,007 ordinary shares were issued as part of a 3 for 2 bonus share issue in respect of all shareholdings on the company register as at the close of business on 21 June 2010. The bonus issue followed a formal business valuation undertaken as at 31 December 2009.

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.

Note 15. Contributed Equity (continued)

Prohibited shareholding interest

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

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

- They control or own 10% or more of the shares in the company (the "10% limit").

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

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

	2013 $	**2012 $**

Note 16. Accumulated Losses

Balance at the beginning of the financial year	(388,426)	(194,835)
Net profit from ordinary activities after income tax	(326,648)	(133,303)
Dividends paid or provided for	-	(60,288)
Balance at the end of the financial year	**(715,074)**	**(388,426)**

Note 17. Statement of Cashflows

Reconciliation of loss from ordinary activities after tax to net cash used in operating activities

Loss from ordinary activities after income tax	(326,648)	(133,303)
Non cash items:		
- depreciation	89,879	76,719
- amortisation	55,461	30,668
(Profit)/loss on disposal of fixed assets	(3,376)	69,596

Notes to the financial statements (continued)

	2013 $	2012 $

Note 17. Statement of Cashflows (continued)

Changes in assets and liabilities:		
- (increase)/decrease in receivables	50,495	(68,666)
- increase in other assets	(146,555)	(63,660)
- increase/(decrease) in payables	63,637	(24,192)
- increase/(decrease) in provisions	30,590	(1,221)
- decrease in current tax liabilities	(1,145)	(35,291)
Net cashflows used in operating activities	**(187,662)**	**(149,350)**

Note 18. Leases

Finance lease commitments

Payable - minimum lease payments		
- not later than 12 months	32,310	16,084
- between 12 months and 5 years	99,936	-
- greater than 5 years	-	-
Minimum lease payments	**132,246**	**16,084**
Less future finance charges	(11,835)	(521)
Present value of minimum lease payments	**120,411**	**15,563**

The two finance leases relate to the lease of five motor vehicles, which commenced in September and November 2012. The leases are for five years with an option to purchase at the end of the term. Lease payments are made monthly in advance and interest is recognised at an average rate of 5.75% and 5.50% respectively. No contingent rental is payable and the liability is secured by the asset/s under leases.

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	197,907	156,416
- between 12 months and 5 years	567,593	532,888
- greater than 5 years	-	-
	765,500	**689,304**

The rental lease agreement on the Calwell branch premises is a non-cancellable lease with a fifteen year term, expiring on 31 August 2017. The rent payable is currently $57,833 per annum plus GST.

The rental lease agreement on the Wanniassa branch premises is a non-cancellable lease with a five year term, expiring 30 November 2017. The rent payable is currently $38,056 per annum with no GST applicable.

Note 18. Leases (continued)

The rental lease agreement on the Jerrabomberra branch premises is a non-cancellable lease with a five year term, expiring 31 July 2016. There is an option available for a further five year term. The rent payable is currently $51,745 per annum plus GST.

The rental lease agreement on the Curtin branch premises is a non-cancellable lease with a five year term, expiring 31 May 2017. There is an option available for a further five year term. The rent payable is currently $50,272 per annum with no GST applicable.

Note 19. Auditor's Remuneration

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

	2013 $	2012 $
- audit and review services	9,930	4,500
- share registry services	4,562	4,176
- consultancy	-	11,394
- non audit services	3,819	3,927
	18,311	**23,997**

Note 20. Director and Related Party Disclosures

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

Jayson Richard Hinder
Wendy Kaye Noel (Appointed 4 February 2013)
Alan Hayllar Hodges
Benjamin Patrick Duggan
Neale Desmond Guthrie
Brian Joseph Brown
Simon Gerald Hulett Maddox (Appointed 8 November 2012)
Ann Jennifer Dalton (Appointed 8 November 2012)
Nadine Lee White (Resigned 23 September 2012)
Maria Grazia Porreca (Resigned 8 November 2012)
Johnny Maljkovic (Resigned 21 May 2013)
Susan Jane Marriage (Resigned 1 August 2012)
Nicholas Christos Kalogeropoulos (Resigned 4 February 2013)

There were no related party transactions during the financial year apart from those relating to Key Management Personnel, which are separately disclosed under note 22 in this report.

Note 20. Director and Related Party Disclosures (continued)

Directors Shareholdings	2013	2012
Jayson Richard Hinder	15,002	15,002
Wendy Kaye Noel (Appointed 4 February 2013)	-	-
Alan Hayllar Hodges	6,000	-
Benjamin Patrick Duggan	-	-
Neale Desmond Guthrie	-	-
Brian Joseph Brown	75,000	25,000
Simon Gerald Hulett Maddox (Appointed 8 November 2012)	3,000	-
Ann Jennifer Dalton (Appointed 8 November 2012)	500	-
Nadine Lee White (Resigned 23 September 2012)	-	-
Maria Grazia Porreca (Resigned 8 November 2012)	1,252	1,252
Johnny Maljkovic (Resigned 21 May 2013)	-	-
Susan Jane Marriage (Resigned 1 August 2012)	-	-
Nicholas Christos Kalogeropoulos (Resigned 4 February 2013)	-	-

Note 21. Dividends Paid or Provided

	2013 $	2012 $
a. Dividends paid during the year		
Current year interim dividend		
100% (2012: 100%) franked dividend - Nil cents (2012: 2 cents) per share	-	60,288
	-	**60,288**
The tax rate at which dividends have been franked is 30% (2012: 30%).		
b. Franking account balance		
Franking credits available for subsequent reporting periods are:		
- franking account balance as at the end of the financial year	19,197	12,053
- franking credits that will arise from payment of income tax payable as at the end of the financial year	-	25,436
- 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:	19,197	37,489

	2013 $	2012 $

Note 21. Dividends Paid or Provided (continued)

b. Franking account balance (continued)

- 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	-	-
Net franking credits available	**19,197**	**37,489**

Note 22. Key management personnel disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director of the entity.

The names and positions held by key management personnel in office at any time during the year were:

Key Management Personnel	Position
Jayson Richard Hinder	Chair – Non-executive
Wendy Kaye Noel	Treasurer - Non-executive
Alan Hayllar Hodges	Deputy Chair – Non-executive
Benjamin Patrick Duggan	Director - Non-executive
Neale Desmond Guthrie	Director - Non-executive
Brian Joseph Brown	Director - Non-executive
Simon Gerald Hulett Maddox	Director - Non-executive
Ann Jennifer Dalton	Director - Non-executive
Nadine Lee White	Director - Non-executive
Maria Grazia Porreca	Director - Non-executive
Johnny Maljkovic	Director - Non-executive
Susan Jane Marriage	Director - Non-executive
Nicholas Christos Kalogeropoulos	Treasurer - Non-executive

Key management personnel compensation

The compensation for each key management person of the Company was as follows:

Key Management Person	Salary, Fees & Commissions		Superannuation Contributions		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Jayson Richard Hinder	2,313	17,348	-	1,116	2,313	18,464
Wendy Kaye Noel	-	-	-	-	-	-
Alan Hayllar Hodges	925	3,100	-	-	925	3,100
Benjamin Patrick Duggan	1,270	1,021	-	-	1,270	1,021
Neale Desmond Guthrie	925	3,300	-	-	925	3,300

Note 22. Key management personnel disclosures (continued)

Key management personnel compensation (continued)

Key Management Person	Salary, Fees & Commissions		Superannuation Contributions		Total	
	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
Brian Joseph Brown	613	1,735	-	-	613	1,735
Simon Gerald Hulett Maddox	-	-	-	-	-	-
Ann Jennifer Dalton	-	-	-	-	-	-
Nadine Lee White	1,068	3,475	-	-	1,068	3,475
Maria Grazia Porreca	-	1,250	-	-	-	1,250
Johnny Maljkovic	636	1,735	-	-	636	1,735
Susan Jane Marriage	259	1,898	-	-	259	1,898
Nicholas Christos Kalogeropoulos	775	3,463	-	-	775	3,463
	8,784	**38,325**	**-**	**1,116**	**8,784**	**39,441**

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

	2013 $	2012 $
Transactions with related parties:		
The legal firm Jayson Hinder & Associates, of which Jayson Hinder, Director, is a partner provided legal services to the Company during the financial year to the value of	**2,560**	**15,741**
The Canberra Stadium, of which Neale Guthrie, Director, is a manager has supplied stadium memberships and hospitality services during the financial year to the value	**-**	**8,580**

Other than payments to Jayson Hinder & Associates and the Canberra Stadium, there are no formal contracts with the Company to which a Director is a party or receives a benefit.

Remuneration practices

Remuneration Policy

The remuneration policy of Molonglo Financial Services Limited 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 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.

Note 22. Key management personnel disclosures (continued)

Remuneration practices (continued)

Key Management Personnel Remuneration Policy

Key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation and performance incentives.

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, bonuses and options. Any changes 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 results leading to long-term growth in shareholder wealth.

Key management personnel also receive a superannuation guarantee contribution required by the government, which was 9% in 2012-13, and do not receive any other retirement benefits.

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.

Remuneration Structure

Non-executive Directors are paid Directors' fees as disclosed below. During the year one of the directors undertook an Administration Manager role and was remunerated at market rates for the duties undertaken.

Non-executive Director Remuneration Policy

The Board's policy is to remunerate non-executive directors at token rates for time, commitment and responsibilities. The Board determines payments to the non-executive directors and regularly reviews the amount of fees paid, based on market practices, duties and accountability. The maximum aggregate amount of fees that can be paid to Directors requires approval by shareholders as required by the Corporations Act 2001 and is currently an amount up to $40,000 in aggregate. However, as a result of the downturn in the profits for the company, the Board decided to limit the distribution to $8,600 (the distribution that had already occurred by the decision date).

Performance Based Remuneration

The key performance indicators (KPIs) are set annually in consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area in which each individual is involved and has a level of control. The KPIs target areas the Board believes hold greater potential for 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 board 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.

The Company does not pay performance-based remuneration to any Director.

Note 22. Key management personnel disclosures (continued)

Remuneration practices (continued)

Relationship Between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Performance-based bonus is based on key performance indicators as disclosed above.

The Group General Manager is paid a base salary which is between $100,000 and $120,000 plus the use of a company car. In addition the Group General Manager receives a bonus if the company exceeds the performance criteria established by the Board. The potential bonus exposure is capped at $40,000 for the Group General Manager.

	2013 $	2012 $
Note 23. Earnings Per Share		
(a) Loss attributable to the ordinary equity holders of the company used in calculating earnings per share	(326,648)	(133,303)
	Number	**Number**
(b) Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	3,798,115	3,445,136

Note 24. Events Occurring After the Balance Sheet Date

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

Note 25. Contingent Liabilities

There were no contingent liabilities 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 Wanniassa, Calwell, Curtin in the Australian Capital Territory and in Jerrabomberra in New South Wales pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

Note 27. Registered Office/Principal Place of Business

The registered office and principal place of business is:

Registered Office Principal Places of Business

C/- Jayson Hinder & Associates
Shop 5/12 Kippax Place
Holt ACT 2615

Unit 13 & 14 Wanniassa Shopping Centre
Sangster Place
Wanniassa ACT 2905

Shop 19 Calwell Shopping Centre
Weber Crescent

Calwell ACT 2905
Shop 2A Jerrabomberra Shopping Centre

2 Limestone Avenue
Jerrabomberra NSW 2917

Shop 1 Curtin Shopping Centre
20 Curtin Place
Curtin ACT 2605

Note 28. Financial Instruments

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.

Note 28. Financial Instruments (continued)

Interest Rate Risk

	Floating interest rate		Fixed interest rate maturing in						Non interest bearing		Weighted average effective interest rate	
			1 year or less		Over 1 to 5 years		Over 5 years					
Financial instrument	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 %**	**2012 %**
Financial Assets												
Cash and cash equivalents	171,940	476,084	425,202	460,361	-	-	-	-	390	416	3.9	2.9
Receivables	-	-	-	-	-	-	-	-	144,706	185,573	N/A	N/A
Financial Liabilities												
Interest bearing liabilities	-	-	26,162	16,084	94,249	-	-	-	-	-	5.7	8.6
Payables	-	-	-	-	-	-	-	-	117,048	53,410	N/A	N/A

Directors' declaration

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 2013 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.

Jayson Richard Hinder,
Director

Signed on the 12th of September 2013.

Independent audit report

Partners in success

Chartered Accountants

Independent auditor's report to the members of Molonglo Financial Services Limited

Report on the financial report

We have audited the accompanying financial report of Molonglo Financial Services Limited, which comprises the balance sheet as at 30 June 2013, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and 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 fair accounting estimates that are reasonable in the circumstances. In note 1, the directors also state in accordance with the Accounting Standard AASB 101 Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards.

Auditor's 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 our judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and 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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the company's financial position and of its performance.

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

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Independent audit report (continued)

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written auditor's independence declaration, a copy of which is included in the directors' report.

Auditor's opinion on the financial report

In our opinion:

1) The financial report of Molonglo Financial Services Limited is in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 30 June 2013 and of its financial performance and its cash flows for the year then ended and complying with Australian Accounting Standards and the Corporations Regulations 2001.

2) The financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the remuneration report

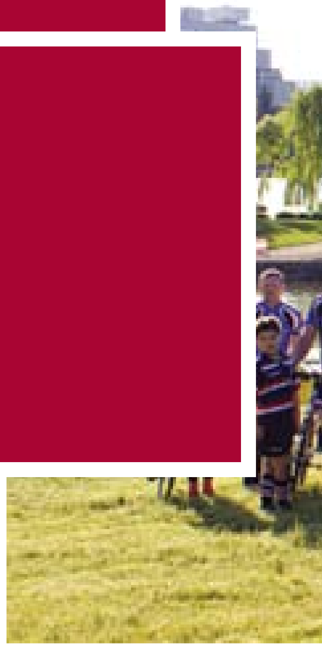
We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is 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 Molonglo Financial Services Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

David Hutchings
Andrew Frewin Stewart
61 Bull Street Bendigo Vic 3550

Dated: 12 September 2013



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Shops 19-21 Calwell Shopping Centre,
Webber Crescent, Calwell ACT 2905
Phone: (02) 6291 3385
Email: Calwell@bendigobank.com.au

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Unit 1, 20 Curtin Place, Curtin ACT 2605
Phone: (02) 6232 4113
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Shop 2a Jerrabomberra Village Shopping Centre,
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