Annual Report 2022

Molonglo Financial Services Limited

Community Bank
Canberra Group

ABN 77 100 097 443

Contents

Chair's report

For year ending 30 June 2022

Welcome to the 20th Annual Report of Molonglo Financial Services Limited (MFSL).

The 2021-22 financial year has been one of significant change; change in the direction of interest rates, change in the way that financial institutions interact with their customers and changes in what our customers are demanding from us. Historically low interest rates came to an abrupt end in May 2022 as inflationary pressures increased. At the time of writing of this document, the RBA had raised rates six times in as many months with the likelihood of more to follow. Given these turbulent times, over the past 12 months, the Board has made several difficult but important strategic decisions in order to put the Company in a position of strength and enable it to take advantage of whatever opportunities may lie ahead.

Early in the financial year we experienced further periods of COVID-19 lockdown. Customer use of online banking accelerated with an accompanying reduction in patronage of our local branches. Since returning to 'business as usual' this trend has become permanent. As a result, after much consternation and deliberation, the Board decided it was in the Company's best interests to close our Jerrabomberra branch in June 2022 and has since closed the Wanniassa branch in September 2022. These branch closures have allowed us to focus our resources on our remaining branches at Curtin and Calwell, increase our support for local causes and were achieved without any loss of staff.

Dividend history

Financial Year	Amount per share	Share type	Date paid
2007-08	$0.05	Unfranked	30 June 2008
2008-09	$0.05	Unfranked	19 December 2008
2009-10	$0.06	Franked	30 June 2010
2010-11	$0.03	Franked	30 June 2011
2011-12	$0.02	Franked	30 June 2012
2014-15	$0.02	Half-Franked	1 December 2014
2016-17	$0.02	Unfranked	31 March 2017
2017-18	$0.02	Unfranked	1 December 2017
2018-19	$0.02	Unfranked	1 December 2018
2019-20	$0.02	Unfranked	1 December 2019
2020-21	$0.02	Unfranked	1 December 2020
2021-22	$0.02	Unfranked	1 December 2021

Turning to our financial performance during FY 2021-22, the Company finished the year with a before-tax profit of $101,971. Our net cash increase was substantial enough to accommodate a $0.03 distribution to shareholders, which will be payable in December 2022.

Overall, we have achieved very positive results in terms of business metrics, discussed in more detail in the Treasurer's Report. Our funds under management, both deposits and loans, grew across our business. The latter was achieved largely through the hard work of our mobile lending team and is further evidence of the success of growing our mobile distribution arm. Looking ahead, in the short term, interest rate rises will increase margins, however in the medium to long term the effects may be very different depending largely on the RBA's ability to avoid a recession.

Chair's report (continued)

Our positive financial performance enabled us to continue our investment in the local community. We sponsored Tuggeranong Buffaloes, Queanbeyan Tigers, Googong Hogs and South Canberra Football Team this season. We also made an award under the Jayson Hinder Scholarship scheme and supported MIEACT, Kids Care ACT and the excellent work of Menslink assisting young men struggling with their mental health.

Further significant developments occurred this year in terms of the Company's competitiveness in the Canberra market. During the period, the Board was informed that SERVICE ONE Mutual Limited, which operates in the Canberra region, would be setting up a subsidiary company and transitioning all their branches from the Alliance Bank model to the Bendigo Community Bank model.

The Board recently received an offer from SERVICE ONE's subsidiary company that will be put to shareholders at the 2022 AGM. I, along with the entire Board, believe this proposal will take our business on an evolutionary step that will provide our customers with greater services, our staff with greater career opportunities and our shareholders with a return of capital.

Before I close, I wish to thank Dean Goulder, our former CEO who has moved on to Bendigo and Adelaide Bank, for his dedication and professionalism over many years and wish him the best in whatever endeavours he takes on. Departing this year from the Board are Pierre, Klarissa, Sarah and Adrienne and I thank them for their time on the Board and their invaluable contribution to our Company, to their communities, and the part they have played in leaving our Company in a strong position to take the opportunities that lie ahead.

I would also like to thank all my fellow Directors for the time and energy they put towards the Company during the year. In the nearly 15 years I have been associated with the Board, no Board has worked harder, longer or has had to make tougher decisions than this Board, and I thank them for their professionalism and temerity in doing what was best for this Company, its staff and our community.

And last, but certainly not least, I thank the hard working 'essential' workers that are our staff. They continue to provide great service, valuable financial advice and support to our customers and community through rain, hail, shine or COVID-19. They are the front line of our business and at the heart of our success.

Brian Brown
Chair

Treasurer's report

For year ending 30 June 2022

The Company finished the financial year with strong results, delivering a profit before tax of $101,971 (2021: $6,124). Total funds under management at 30 June 2022 was $505 million (2021: $425 million), exceeding growth target and representing an 18.8% increase from last year.

The growth in our lending and deposit businesses continued in 2021-22, increasing by 10.9% and 22.3% respectively from the year before. Revenue from contracts with customers also improved, increasing by 7.5% from the previous year (see Note 6). The Reserve Bank of Australia lifted the cash rate in May 2022 for the first time in more than 11 years. This was followed by more rate rises in the following months. Consequently, margins on lending and deposits began to improve in June 2022. The Company expects to see further improvement in revenue from customers in 2022-23 as the impact of the rate rises on margins continue to flow through.

During the year the Company received ongoing marketing support from Bendigo and Adelaide Bank Limited through funding from its Market Development Fund (see Note 7). As reported last year, this marketing is being gradually reduced.

Expenditure in 2021-22 was comparable with that of the previous year. The Company recruited an additional Mobile Relationship Manager during the year as part of its business strategy. As a result, there was an increase in Employee Benefit Expenses, which was partially offset by a decrease in Depreciation and Amortisation Expenses. The decrease was expected as the previous year's expense was unusually high due to accounting adjustments made after a review of the Company's property leases.

Financial position at the end of the financial year remained healthy, with strong cash flow. The Company declared and paid a dividend of $75,962 for the year, at 2 cents per share.

Pui Cheung
Treasurer

Bendigo and Adelaide Bank report

For year ending 30 June 2022

Community continues to be core to who we are at Bendigo and Adelaide Bank.

With your support, we are enabling community infrastructure to be built, strengthening the arts and culturally diverse communities, improving educational outcomes, and growing healthy places for Australians to live and work. On behalf of the Bank, thank you for continuing to play a vital role in supporting your community.

As we emerge from the pandemic and navigate a shifting economic landscape, the investments our Community Banks make in the future of the communities in which they operate has never been more important.

We are proud that more Australians are choosing to do their banking with Bendigo and Adelaide Bank – and importantly trust us with their financial needs. We are Australia's most trusted bank (Roy Morgan, May 2022), an outcome that you have all contributed to and should feel proud of.

Our purpose has never been more important; we remain committed to continuing to feed into the prosperity of our customers and communities, and not off them.

Your ongoing support as a shareholder is essential to the success of your local community. Together, we will continue to grow sustainably and make a positive impact for generations to come.

Warmest regards,

Justine Minne
Bendigo and Adelaide Bank

Directors' report

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2022.

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

Name:	Brian Joseph Brown
Title:	Chair
Experience and expertise:	Brian retired to work full-time as Chairman of Molonglo Financial Services Limited. Previous employment or positions include Assistant to Secretary United Firefighters Union, Councillor at Queanbeyan Palerang Regional Council. Quality Operations Officer at EOS Space Systems Pty Ltd, Senior Advisor to Dr Mike Kelly AM MP former Federal Member for Eden-Monaro, Deputy Chair of Regional Development Australia Southern Inland and Royal Australian Artillery (Australian Army 10 years).
Special responsibilities:	Chair: Executive Committee and Business Development, Sponsorships and Marketing Committee, Ex-officio: Audit, Finance and Governance Committee, Member: Human Resources Committee.

Name:	Klarisa Dominka Cengic
Title:	Non-executive director
Experience and expertise:	Klarisa is the founder of The Goods Wholefoods, a health focused cafe in Canberra city. She also runs a consultancy specialising in strategic hospitality management and is currently the Program Lead for Healthier Choices Canberra. Prior to joining the Board, Klarisa was the Marketing Coordinator at Molonglo Financial Services. Having completed a Bachelor of Commerce degree at the ANU, majoring in marketing and international business, Klarisa is passionate about strategic communications, social media, strategy design and implementation, and helping small business thrive.
Special responsibilities:	Deputy Chair: Business Development, Sponsorships and Marketing Committee, Member: Human Resources Committee.

Name:	Nigel William Phair
Title:	Non-executive director
Experience and expertise:	Nigel Phair is Director (Enterprise), UNSW Institute for Cyber. He is an influential analyst on the intersection of technology, crime and society. Nigel has published four acclaimed books on the international impact of cybercrime, is a regular media commentator and provides executive and board advice on strategy, risk & governance of technology. In a 21 year career with the Australian Federal Police he achieved the rank of Detective Superintendent and was a Team Leader of investigations at the Australian High Tech Crime Centre for four years. He is a non-executive director on a number of Australian boards.
Special responsibilities:	Company Secretary and past Chair, Member: Audit, Finance and Governance Committee and Executive Committee.

Name:	Sarah Davina Rajic
Title:	Non-executive director
Experience and expertise:	Sarah has 21 years of recruitment experience, gained both locally and interstate. In 2014, Sarah co-founded Capital Recruit services clients in government and the private sector in corporate recruitment from business support to executive positions. Sarah has experience recruiting specialist positions as well as volume recruitment of up to 450 positions. Prior to Capital Recruit, Sarah worked in multiple positions in two large global recruitment firms as a consultant and manager in the ACT and Sydney over 13 years. Sarah also worked in house as a HR consultant at Deloitte in Canberra. Since 2017, Sarah has been a non-executive Director of the Canberra Business Chamber board. Also, a member of the Giants Hearts a corporate group following the GWS Giants in Canberra and Tuggeranong Vikings Basketball club. Sarah holds a Diploma in Business; Diploma in Financial Planning; accredited with the Recruitment and Consulting Services Association; and has attended the Australian Institute of Company Directors course.
Special responsibilities:	Chair: Business Development, Sponsorships and Marketing Committee, Member: Executive Committee.

Name:	Adrienne Marie Day-Hodge
Title:	Non-executive director
Experience and expertise:	Adrienne is co-founder and director of Day & Hodge Associates Pty Ltd, a Canberra-based public relations consultancy established in 1998. She has worked in public relations for more than 25 years at both national and international levels in Australia and Switzerland. She specialises in strategic counsel, issues management, government relations, project management and media relations. Adrienne is Chair of Daramalan College and a Graduate of the Australian Institute of Company Directors (GAICD). She has a BA Communication (With Distinction) from Charles Sturt University and provides pro bono services to HOME in Queanbeyan.
Special responsibilities:	Member: Business Development, Sponsorships and Marketing Committee.

Name:	Alice Tay
Title:	Non-executive director
Experience and expertise:	Alice is a corporate and commercial lawyer and retired from practice at the end of 2018. In addition to her role on MFS, she is a member of Council (board) of the University of Canberra, a director of Community Housing Canberra and a director of the National Heart Foundation. Alice chairs the audit and risk committees of the University of Canberra and the National Heart Foundation. In addition to MFS, she is a member of the audit committee of Master Builders ACT and Project Independence. Her past roles include being a partner at Meyer Vandenberg Lawyers, deputy chair of the Gambling and Racing Commission, director of The Fly Program and Hands Across Canberra.
Special responsibilities:	Member: Audit, Finance and Governance Committee.

Name:	Lisa Marie Moore
Title:	Non-executive director
Experience and expertise:	Lisa brings to the board over 26 years of ever-evolving experience from the private and public sectors, along with her wealth of knowledge of all strategic and operational aspects of the organisational enabling functions, including people management, service delivery and process review, legal, risk and governance, ICT, finance, as well as change, project and asset management within large, diverse and complex organisations. Through her own company, she provides management consultancy regarding organisational transformation with a focus on the interoperability of People, Process and Technology.
Special responsibilities:	Chair: Human Resources Committee, Member: Audit, Finance and Governance Committee and Business Development, Sponsorships and Marketing Committee.

Name:	Pui Chun Cheung
Title:	Non-executive director
Experience and expertise:	Pui is a financial management and governance professional with extensive experience in both the private and public sectors. Since 2016 Pui has been working with community, for-purpose groups as a non-executive director and/or committee chair. Pui is a Fellow of the Certified Practising Accountants of Australia and a Graduate member of the Australian Institute of Company Directors. She also holds a bachelor of Business and a Master of Business Administration. Was previously a director at Northside Community Service and Carers ACT.
Special responsibilities:	Chair: Audit, Finance and Governance Committee.

Name:	Pierre Paul Heutter
Title:	Non-executive director (resigned 1 April 2022)
Experience and expertise:	Pierre Huetter has held various roles in the public and private sectors in policy and major project facilitation roles. Those roles have included work facilitating major projects within government, major bid preparation and coordination outside government, tender writing, project management, policy and business case preparation. Pierre has also run a property consultancy providing project management services to numerous ACT property development companies. Pierre has an in-depth knowledge of statutory and strategic planning requirements for the ACT, enabling him to provide sound and practical advice on related issues, Pierre brings to this role a deep commitment to delivering for clients social and financial development outcomes, that contribute to the fabric of the City of Canberra. Pierre was also a long-term director of the Canberra YMCA, including 3 years as Chair.
Special responsibilities:	Nil.

Name:	Neale Desmond Guthrie
Title:	Non-executive director (resigned 26 November 2021)
Experience and expertise:	Prior to his retirement in September 2014, Neale had nearly nine years' experience as a Senior Executive in the ACT Public Service. He has served on five management boards for ACT Government managed agencies. Neale has also 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 tertiary qualifications: Master of Science (Mngt.), Graduate Diploma (Mngt.), Bachelor of Engineering (Civil).
Special responsibilities:	Member: Audit, Finance and Governance Committee.

Name:	Radmila Noveska
Title:	Non-executive director (resigned 12 July 2021)
Experience and expertise:	Radmila was admitted as a Solicitor to the Supreme Court of the ACT in October 2010. Since then she has worked as a paralegal/solicitor for Galilee Solicitors, a legal officer for United Voice, and most recently as an Employment Relations Consultant for Employsure. Radmila was elected as Councillor on Queanbeyan Palerang Regional Council in September 2017.
Special responsibilities:	Member: Business Development, Sponsorships and Marketing Committee.

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

Company secretary
There have been two company secretaries holding the position during the financial year:

- Nigel William Phair was appointed to the position of Secretary on 22 March 2022.
- Dean Raymond Goulder was appointed to the position of Secretary on 30 January 2020 and ceased on 22 March 2022.

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

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

Review of operations
The profit for the company after providing for income tax amounted to $76,478 (30 June 2021: $7,346).

Operations have continued to perform in line with expectations.

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

	2022 $
Unfranked dividend of 2 cents per share (2021: 2 cents)	75,962

Significant changes in the state of affairs
During the financial year the company closed the Jerrabomberra branch.

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

Matters subsequent to the end of the financial year
Since the end of the year, the company has entered into an agreement to sell the revenue rights associated with Molonglo Financial Services Limited. The completion of the sale is contingent on both parties to the transaction meeting certain conditions precedent, including the approval of the sale by the shareholders of the company at its next annual general meeting. Settlement of the agreement is scheduled for May 2023. With the approval of the shareholders, the company expects to cease operation in 2023-24.

In September 2022, the company closed its Wanniassa branch upon the expiry of its property lease. All staff and customer accounts have been transferred to the remaining two branches.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments
The company intends to transfer the operations of banking services to the community to another company.

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

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each director were:

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

	Board		Audit, Finance and Governance Committee		Human Resources Committee		Business Development, Sponsorships and Marketing Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Brian Joseph Brown	12	12	5	5	2	2	11	11
Klarisa Dominka Cengic	12	7	-	-	2	2	11	10
Nigel William Phair	12	10	3	2	-	-	-	-
Sarah Davina Rajic	12	10	-	-	-	-	4	3
Adrienne Marie Day-Hodge	12	11	-	-	-	-	11	11
Alice Tay	12	9	5	2	-	-	-	-
Lisa Moore	12	10	2	1	2	2	6	2
Pui Chun Cheung	12	11	5	5	-	-	-	-
Pierre Paul Hunter	10	3	-	-	-	-	-	-
Neale Desmond Guthrie	5	5	2	2	-	-	-	-
Radmila Noveska	1	-	-	-	-	-	1	-

	Executive Committee	
	Eligible	Attended
Brian Joseph Brown	2	2
Klarisa Dominka Cengic	-	-
Nigel William Phair	2	2
Sarah Davina Rajic	2	2
Adrienne Marie Day-Hodge	-	-
Alice Tay	-	-
Lisa Moore	-	-
Pui Chun Cheung	-	-
Pierre Paul Hunter	-	-
Neale Desmond Guthrie	-	-
Radmila Noveska	-	-

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 24 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.

Directors' interests
The interest in company shareholdings for each director are:

	Balance at the start of the year	Changes	Balance at the end of the year
Brian Joseph Brown	99,000	-	99,000
Klarisa Dominka Cengic	-	-	-
Nigel William Phair	9,000	-	9,000
Sarah Davina Rajic	-	-	-
Adrienne Marie Day-Hodge	-	-	-
Alice Tay	5,000	-	5,000
Lisa Moore	-	-	-
Pui Chun Cheung	-	-	-
Pierre Paul Hunter	-	-	-
Neale Desmond Guthrie	1,250	-	1,250
Radmila Noveska	-	-	-

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

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

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

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

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

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

Non-audit services
The company may decide to employ the auditor on assignments additional to their statutory duties where the auditor's expertise and experience with the company are important. Details of the amounts paid or payable to the auditor (Andrew Frewin Stewart) for audit and non-audit services provided during the year are set out in note 26 to the accounts.

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

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

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

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

On behalf of the directors

Brian Joseph Brown
Chair

17 October 2022

Auditor's independence declaration

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

afs@afsbendigo.com.au
03 5443 0344

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

As lead auditor for the audit of Molonglo Financial Services Limited for the year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 October 2022

Adrian Downing
Lead Auditor

Financial statements

Molonglo Financial Services Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from contracts with customers	6	2,776,915	2,582,711
Other revenue	7	60,833	142,292
Finance revenue		-	1,490
Employee benefits expense	8	(1,715,768)	(1,610,288)
Advertising and marketing costs		(34,882)	(48,242)
Occupancy and associated costs		(61,004)	(40,771)
System costs		(129,462)	(139,474)
Depreciation and amortisation expense	8	(437,060)	(505,466)
Finance costs	8	(36,382)	(50,139)
General administration expenses		(278,168)	(281,755)
Profit before community contributions and income tax expense		145,022	50,358
Charitable donations and sponsorships expense		(43,051)	(44,234)
Profit before income tax (expense)/benefit		101,971	6,124
Income tax (expense)/benefit	9	(25,493)	1,222
Profit after income tax (expense)/benefit for the year	20	76,478	7,346
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		76,478	7,346
		Cents	**Cents**
Basic earnings per share	28	2.01	0.19
Diluted earnings per share	28	2.01	0.19

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

Molonglo Financial Services Limited
Statement of financial position
As at 30 June 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	10	922,115	780,525
Trade and other receivables	11	294,692	240,236
Total current assets		1,216,807	1,020,761
Non-current assets			
Property, plant and equipment	12	303,852	401,471
Right-of-use assets	13	605,648	1,080,177
Intangibles	14	172,662	19,510
Deferred tax assets	9	118,171	143,665
Total non-current assets		1,200,333	1,644,823
Total assets		2,417,140	2,665,584
Liabilities			
Current liabilities			
Trade and other payables	15	243,747	162,461
Lease liabilities	16	126,415	265,935
Employee benefits	17	131,542	123,468
Total current liabilities		501,704	551,864
Non-current liabilities			
Trade and other payables	15	134,937	-
Lease liabilities	16	554,527	851,425
Employee benefits	17	8,449	31,076
Provisions	18	74,014	88,226
Total non-current liabilities		771,927	970,727
Total liabilities		1,273,631	1,522,591
Net assets		1,143,509	1,142,993
Equity			
Issued capital	19	2,223,293	2,223,293
Accumulated losses	20	(1,079,784)	(1,080,300)
Total equity		1,143,509	1,142,993

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

Molonglo Financial Services Limited
Statement of changes in equity
For the year ended 30 June 2022

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2020		2,223,293	(1,011,684)	1,211,609
Profit after income tax expense		-	7,346	7,346
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	7,346	7,346
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	22	-	(75,962)	(75,962)
Balance at 30 June 2021		2,223,293	(1,080,300)	1,142,993

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2021		2,223,293	(1,080,300)	1,142,993
Profit after income tax expense		-	76,478	76,478
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	76,478	76,478
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	22	-	(75,962)	(75,962)
Balance at 30 June 2022		2,223,293	(1,079,784)	1,143,509

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

Molonglo Financial Services Limited
Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,072,375	2,964,231
Payments to suppliers and employees (inclusive of GST)		(2,548,903)	(2,400,876)
		523,472	563,355
Interest received		-	994
Interest and other finance costs paid		-	(6,887)
Net cash provided by operating activities	27	523,472	557,462
Cash flows from investing activities			
Payments for property, plant and equipment		(16,287)	-
Payments for intangibles		-	(42,220)
Net cash used in investing activities		(16,287)	(42,220)
Cash flows from financing activities			
Dividends paid	22	(75,962)	(75,962)
Repayment of lease liabilities	16	(289,633)	(287,006)
Net cash used in financing activities		(365,595)	(362,968)
Net increase in cash and cash equivalents		141,590	152,274
Cash and cash equivalents at the beginning of the financial year		780,525	628,251
Cash and cash equivalents at the end of the financial year	10	922,115	780,525

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

Notes to the financial statements

For the year ended 30 June 2022

Note 1. Reporting entity

The financial statements cover Molonglo Financial Services Limited (the company) as an individual entity. The financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

The company is an unlisted public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Registered office	Principal place of business
20 Curtin Place, Curtin ACT 2605	Calwell Community Bank, Shop 19-21 Calwell Shopping Centre, Webber Crescent, Calwell ACT 2905

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 17 October 2022. The directors have the power to amend and reissue the financial statements.

Note 2. Basis of preparation and statement of compliance

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

Going concern
The financial statements for the financial year ended 30 June 2022 have been prepared on a going concern basis, notwithstanding that the company has entered into an agreement to sell its revenue rights. A realisation/liquidation basis is considered not appropriate in view of the following considerations. The sale is contingent on approval by shareholders of the company, and other conditions precedent being met. Settlement is scheduled for May 2023 and the company will continue normal operation until settlement date. Under the terms of the agreement, property leases, assets and employees of the company are transferred to the buyer. The company will have nil or minimal liquidation or termination cost in relation to the sale.

As a result of the proposed agreement the company has reassessed the likelihood of exercising the lease term options for it's current lease agreements, as disclosed in note 16.

Note 3. Significant accounting policies

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

Changes in accounting policies, standards and interpretations
There are a number of amendments to accounting standards issued by the AASB that became mandatorily effective for accounting periods beginning on or after 1 July 2021, and are therefore relevant for the current financial year. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

Note 3. Significant accounting policies (continued)

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

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

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

The company's trade receivables are limited to the monthly profit share distribution from Bendigo Bank, which is received 10 business days post month end. Due to the reliance on Bendigo Bank the company has reviewed credit ratings provided by Standard & Poors, Moody's and Fitch Ratings to determine the level of credit exposure to the company. The company also performed a historical assessment of receivables from Bendigo Bank and found no instances of default. As a result no ECL has been made in relation to trade receivables as at 30 June 2022.

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

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

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

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

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

Note 4. Critical accounting judgements, estimates and assumptions

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

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

Coronavirus (COVID-19) pandemic
Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the company operates. There does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The company assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the company and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

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

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

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

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

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

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

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

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

Note 5. Economic dependency

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

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

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

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

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

Bendigo Bank provides significant assistance in establishing and maintaining the Community Bank franchise operations. It also continues to provide ongoing management and operational support and other assistance and guidance in relation to all aspects of the franchise operation, including advice and assistance in relation to:
- the design, layout and fit out of the Community Bank premises
- training for the branch manager and other employees in banking, management systems and interface protocol
- methods and procedures for the sale of products and provision of services
- security and cash logistic controls
- calculation of company revenue and payment of many operating and administrative expenses
- the formulation and implementation of advertising and promotional programs
- sales techniques and proper customer relations
- providing payroll services.

Note 6. Revenue from contracts with customers

	2022 $	2021 $
Margin income	2,500,040	2,293,071
Fee income	175,068	190,046
Commission income	101,807	99,594
Revenue from contracts with customers	2,776,915	2,582,711

Note 6. Revenue from contracts with customers (continued)

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

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

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

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

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

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

Margin
Margin is arrived at through the following calculation:

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

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

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

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

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

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

Note 6. Revenue from contracts with customers (continued)

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

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

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

Note 7. Other revenue

	2022 **$**	**2021** **$**
Market development fund	60,833	104,792
Cash flow boost	-	37,500
Other revenue	60,833	142,292

The company's activities include the generation of income from sources other than the core products under the franchise agreement. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured.

Revenue stream	Revenue recognition policy
Discretionary financial contributions (also "Market development fund" or "MDF" income)	MDF income is recognised when the right to receive the payment is established. MDF income is discretionary and provided and receivable at month-end and paid within 14 days after month-end.
Cash flow boost	Cash flow boost income is recognised when the right to the payment is established (e.g. monthly or quarterly in the activity statement).

All revenue is stated net of the amount of GST.

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

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

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

Cash flow boost
In response to the COVID-19 outbreak, *Boosting Cash Flow for Employers (Coronavirus Economic Response Package) Act 2020* (CFB Act) was enacted. The purpose was to provide temporary cash flow to small and medium sized businesses that employ staff and have been affected by the economic downturn associated with COVID-19.

The amounts received are in relation to amounts withheld as withholding tax reported in the activity statement. This essentially subsidises the company's obligation to remit withholding tax to the Australian Taxation Office. For reporting purposes, the amounts subsidised are recognised as revenue.

The amounts are not assessable for tax purposes and there is no obligation to repay the amounts.

Note 8. Expenses

Depreciation and amortisation expense

	2022 $	2021 $
Depreciation of non-current assets		
Leasehold improvements	119,255	161,073
Plant and equipment	5,762	5,278
	125,017	166,351
Depreciation of right-of-use assets		
Leased land and buildings	244,476	274,734
Leased motor vehicles	17,331	17,331
	261,807	292,065
Amortisation of intangible assets		
Franchise fee	8,629	8,552
Franchise renewal fee	41,607	38,498
	50,236	47,050
	437,060	505,466

Finance costs

	2022 $	2021 $
Lease interest expense	33,353	40,116
Unwinding of make-good provision	3,029	3,136
Interest on superannuation payable	-	6,887
	36,382	50,139

Finance costs are recognised as expenses when incurred using the effective interest rate.

Employee benefits expense

	2022 $	2021 $
Wages and salaries	1,506,675	1,381,679
Non-cash benefits	15,831	16,145
Superannuation contributions	150,277	136,840
Expenses related to long service leave	(12,842)	14,524
Other expenses	55,827	61,100
	1,715,768	1,610,288

Leases recognition exemption

	2022 $	2021 $
Expenses relating to low-value leases	59,755	64,302

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

Note 9. Income tax

	2022 $	2021 $
Income tax expense/(benefit)		
Movement in deferred tax	(31,346)	(63,753)
Reduction in company tax rate	56,839	56,784
Recoupment of prior year tax losses	-	5,747
Aggregate income tax expense/(benefit)	25,493	(1,222)
Prima facie income tax reconciliation		
Profit before income tax (expense)/benefit	101,971	6,124
Tax at the statutory tax rate of 25% (2021: 26%)	25,493	1,592
Tax effect of:		
Non-deductible expenses	-	1,189
Reduction in company tax rate	-	5,747
Other assessable income	-	(9,750)
Income tax expense/(benefit)	25,493	(1,222)

	2022 $	2021 $
Deferred tax assets/(liabilities)		
Property, plant and equipment	7,372	(19,119)
Employee benefits	35,177	38,816
Carried-forward tax losses	36,357	93,195
Provision for lease make good	18,504	22,057
Accrued expenses	(12)	1,125
Income accruals	1,949	(433)
Lease liabilities	170,236	269,876
Right-of-use assets	(151,412)	(261,852)
Deferred tax asset	118,171	143,665

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

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

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

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

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

Note 9. Income tax (continued)

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

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

Note 10. Cash and cash equivalents

	2022 $	2021 $
Cash at bank and on hand	901,872	740,447
Term deposits	20,243	40,078
	922,115	780,525

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

Note 11. Trade and other receivables

	2022 $	2021 $
Trade receivables	275,456	224,911
Other receivables and accruals	-	1,253
Accrued income	46	1,730
Prepayments	19,190	12,342
	19,236	15,325
	294,692	240,236

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

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

Note 12. Property, plant and equipment

	2022 $	2021 $
Leasehold improvements - at cost	690,228	830,652
Less: Accumulated depreciation	(434,106)	(468,835)
	256,122	361,817
Plant and equipment - at cost	306,558	332,817
Less: Accumulated depreciation	(274,265)	(293,163)
	32,293	39,654
Motor vehicles - at cost	69,329	-
Less: Accumulated depreciation	(53,892)	-
	15,437	-
	303,852	401,471

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

	Leasehold improvements $	Plant and equipment $	Motor Vehicles $	Total $
Balance at 1 July 2020	522,890	44,932	-	567,822
Depreciation	(161,073)	(5,278)	-	(166,351)
Balance at 30 June 2021	361,817	39,654	-	401,471
Additions	13,560	2,727	-	16,287
Disposals	-	(4,326)	-	(4,326)
Transfers in/(out)	-	-	15,437	15,437
Depreciation	(119,255)	(5,762)	-	(125,017)
Balance at 30 June 2022	256,122	32,293	15,437	303,852

Transfers in
During the financial year the company paid off the motor vehicle loan and as such the asset was transferred back to property, plant and equipment from right-of-use assets.

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

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

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

Leasehold improvements	2 to 12 years
Plant and equipment	2 to 40 years
Motor vehicles	4 years

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

Note 12. Property, plant and equipment (continued)

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

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

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

Note 13. Right-of-use assets

	2022 $	**2021 $**
Land and buildings - right-of-use	1,397,208	1,594,494
Less: Accumulated depreciation	(791,560)	(547,085)
	605,648	1,047,409
Motor vehicles - right-of-use	-	69,329
Less: Accumulated depreciation	-	(36,561)
	-	32,768
	605,648	1,080,177

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

	Land and buildings $	Motor vehicles $	Total $
Balance at 1 July 2020	1,106,542	50,099	1,156,641
Additions	215,601	-	215,601
Depreciation expense	(274,734)	(17,331)	(292,065)
Balance at 30 June 2021	1,047,409	32,768	1,080,177
Remeasurement adjustments	(197,285)	-	(197,285)
Transfers in/(out)	-	(15,437)	(15,437)
Depreciation expense	(244,476)	(17,331)	(261,807)
Balance at 30 June 2022	605,648	-	605,648

Transfer out
During the financial year the company paid off the motor vehicle loan and as such the asset was transferred out of right-of-use assets back to property, plant and equipment.

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

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

Refer to note 16 for more information on lease arrangements.

Note 14. Intangibles

	2022 $	2021 $
Franchise fee	234,417	200,518
Less: Accumulated amortisation	(205,638)	(197,009)
	28,779	3,509
Franchise renewal fee	512,234	342,745
Less: Accumulated amortisation	(368,351)	(326,744)
	143,883	16,001
	172,662	19,510

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

	Franchise fee $	Franchise renewal fee $	Total $
Balance at 1 July 2020	12,061	54,499	66,560
Amortisation expense	(8,552)	(38,498)	(47,050)
Balance at 30 June 2021	3,509	16,001	19,510
Additions	33,899	169,489	203,388
Amortisation expense	(8,629)	(41,607)	(50,236)
Balance at 30 June 2022	28,779	143,883	172,662

Additions
During the financial year, Curtin, Wanniassa and Calwell franchise fees were renewed. All are to be amortised over five years to November 2026.

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

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

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

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

Asset class	Method	Useful life	Expiry/renewal date
Franchise fee	Straight-line	Over the franchise term (5 years)	November 2026
Franchise renewal fee	Straight-line	Over the franchise term (5 years)	November 2026

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

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

Note 15. Trade and other payables

	2022 $	2021 $
Current liabilities		
Trade payables	3,926	20,447
Other payables and accruals	239,821	142,014
	243,747	162,461
Non-current liabilities		
Other payables and accruals	134,937	-

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

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

Note 16. Lease liabilities

	2022 $	2021 $
Current liabilities		
Land and buildings lease liabilities	147,374	260,381
Unexpired interest	(20,959)	(32,304)
Motor vehicle lease liabilities	-	39,163
Unexpired interest	-	(1,305)
	126,415	265,935
Non-current liabilities		
Land and buildings lease liabilities	594,401	920,644
Unexpired interest	(39,874)	(69,219)
	554,527	851,425

Reconciliation of lease liabilities

	2022 $	2021 $
Opening balance	1,117,360	1,151,290
Remeasurement adjustments	(180,138)	212,960
Lease interest expense	33,353	40,116
Lease payments - total cash outflow	(289,633)	(287,006)
	680,942	1,117,360

Note 16. Lease liabilities (continued)

Maturity analysis

	2022 $	2021 $
Not later than 12 months	147,374	299,544
Between 12 months and 5 years	580,884	749,689
Greater than 5 years	13,517	170,955
	741,775	1,220,188

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

Lease payments included in the measurement of the lease liability comprise fixed or variable lease payments that depend on an index or rate and lease payments in a renewal option if the company is reasonably certain to exercise that option. For leases of property the company has elected to separate lease and non-lease components when calculating the lease liability.

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

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

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

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

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

The company's lease portfolio includes:

Calwell branch	A 5 year renewal option was exercised in September 2022. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are not reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is August 2027. The discount rate used in calculations is 2.22%.
Curtin branch	A 5 year renewal option was exercised in June 2022. The company has 1 x 5 year renewal option available which for AASB 16: Leases purposes they are not reasonably certain to exercise. As such, the lease term end date used in the calculation of the lease liability is May 2027. The discount rate used in calculations is 4.79%.
Jerrabomberra branch	A 3 year renewal option was exercised in July 2021. The lease was finalised early at 30 June 2022 due to the company closing the branch. As such, the lease term end date used in the calculation of the lease liability is June 2022. The discount rate used in calculations is 4.79%.
Wanniassa branch	A 5 year renewal option was exercised in December 2017. The company has no renewal option available. As such, the lease term end date used in the calculation of the lease liability is November 2022. The discount rate used in calculations is 4.79%.
Administration office	A 1 year renewal option was exercised in August 2021. As such, the lease term end date used in the calculation of the lease liability is August 2022. The discount rate used in calculations is 3.54%.

Note 16. Lease liabilities (continued)

Remeasurement adjustments
The company has determined it is no longer reasonably certain to exercise the extension options available for the Jerrabomberra, Calwell and Curtin Branches, due to the closure of Jerrabomberra and upcoming pending transfers to another company. The company also removed the make-good provisions for the Curtin and Calwell branches due to the transfer of leases without having to make-good the premises. As such a remeasurement of the right-of-use asset, lease liability and make-good provision occurred using the closure date of 30 June 2022.

Note 17. Employee benefits

	2022 **$**	**2021** **$**
Current liabilities		
Annual leave	112,982	114,693
Long service leave	18,560	8,775
	131,542	123,468
Non-current liabilities		
Long service leave	8,449	31,076

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

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

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

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

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

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

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

Note 18. Provisions

	2022 $	2021 $
Lease make good	74,014	88,226

Lease make good
In accordance with the branch lease agreements, the company must restore the leased premises to their original condition before the expiry of the lease term. The company has estimated the provision based on experience and consideration of the expected future costs to remove all fittings and the ATM as well as cost to remedy any damages caused during the removal process. The company also removed the make-good provisions for the Curtin and Calwell branches due to the transfer of leases without having to make-good the premises. The leases are due to expire per below at which time it is expected the face-value costs to restore the premises will fall due.

Lease	Lease term expiry date per AASB 16	Estimated provisions
Calwell Branch	August 2027	$0
Curtin Branch	May 2027	$0
Jerrabomberra Branch	June 2022	$25,000
Wanniassa Branch	November 2022	$50,000
Administration Office	August 2022	$0

Accounting policy for provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 19. Issued capital

	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	3,798,115	3,798,115	2,286,108	2,286,108
Less: Equity raising costs	-	-	(62,815)	(62,815)
	3,798,115	3,798,115	2,223,293	2,223,293

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

Rights attached to issued capital

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

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

Note 19. Issued capital (continued)

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

Dividends

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

Transfer

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

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

Prohibited shareholding interest

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

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

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

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

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

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

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

Note 20. Accumulated losses

	2022 $	2021 $
Accumulated losses, including dividends paid, at the beginning of the financial year	(1,080,300)	(1,011,684)
Profit after income tax (expense)/benefit for the year	76,478	7,346
Dividends paid (note 22)	(75,962)	(75,962)
Accumulated losses, including dividends paid, at the end of the financial year	(1,079,784)	(1,080,300)

Note 21. Capital management

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

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

The distribution limit is the greater of:
- 20% of the profit or funds of the company otherwise available for distribution to shareholders in that 12 month period; and
- subject to the availability of distributable funds under the *Corporations Act 2001*, the relevant rate of return multiplied by the share capital at balance date where the relevant rate of return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Note 22. Dividends

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

	2022 $	2021 $
Unfranked dividend of 2 cents per share (2021: 2 cents)	75,962	75,962

Accounting policy for dividends
Dividends are recognised in the financial year they are declared.

Note 23. Financial instruments

	2022 $	2021 $
Financial assets		
Trade and other receivables	275,502	227,894
Cash and cash equivalents	922,115	780,525
	1,197,617	1,008,419
Financial liabilities		
Trade and other payables	378,684	162,461
Lease liabilities	680,942	1,117,360
	1,059,626	1,279,821

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

Note 23. Financial instruments (continued)

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

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

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

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

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

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.

Equity Price risk
The company is not exposed to any significant price risk.

Cash flow and fair value interest rate risk
Interest-bearing assets and liabilities are held with Bendigo Bank and subject to movements in market interest.

The company held cash and cash equivalents of $922,115 at 30 June 2022 (2021: $780,525). The cash and cash equivalents are held with Bendigo Bank, which are rated BBB+ on Standard & Poor's credit ratings.

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

The company's franchise agreement limits the company's credit exposure to one financial institution, being Bendigo Bank. The company monitors credit worthiness through review of credit ratings of the bank.

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

Note 23. Financial instruments (continued)

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

2022	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	243,747	134,937	-	378,684
Lease liabilities	147,374	580,884	13,517	741,775
Total non-derivatives	391,121	715,821	13,517	1,120,459

2021	1 year or less $	Between 1 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives				
Trade and other payables	162,461	-	-	162,461
Lease liabilities	299,544	749,689	170,955	1,220,188
Total non-derivatives	462,005	749,689	170,955	1,382,649

Note 24. Key management personnel disclosures

The following persons were directors of Molonglo Financial Services Limited during the financial year:

Brian Joseph Brown
Klarisa Dominka Cengic
Nigel William Phair
Sarah Davina Rajic
Adrienne Marie Day-Hodge
Lisa Moore
Pui Chun Cheung
Pierre Paul Hunter
Neale Desmond Guthrie
Radmila Noveska

Key management personnel compensation comprised the following.

	2022 $	**2021 $**
Short-term employee benefits	36,009	18,250
Post-employment benefits	3,601	1,734
	39,610	19,984

Compensation of the company's key management personnel includes salaries and contributions to a post-employment superannuation fund.

Note 25. Related party transactions

There were no transactions with related parties during the current and previous financial year.

Note 26. Remuneration of auditors

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

	2022 $	2021 $
Audit services		
Audit or review of the financial statements	7,700	7,500
Other services		
Taxation advice and tax compliance services	1,325	5,540
General advisory services	3,580	7,090
Share registry services	5,046	4,727
	9,951	17,357
	17,651	24,857

Note 27. Reconciliation of profit after income tax to net cash provided by operating activities

	2022 $	2021 $
Profit after income tax (expense)/benefit for the year	76,478	7,346
Adjustments for:		
Depreciation and amortisation	437,450	505,466
Lease liabilities interest	33,353	40,116
Change in operating assets and liabilities:		
Increase in trade and other receivables	(54,456)	(31,098)
Decrease in deferred tax assets	25,494	-
Increase in other operating assets	-	(14,824)
Increase/(decrease) in trade and other payables	16,771	(11,125)
Increase/(decrease) in employee benefits	(14,553)	44,892
Increase in other provisions	2,935	16,689
Net cash provided by operating activities	523,472	557,462

Note 28. Earnings per share

	2022 $	2021 $
Profit after income tax	76,478	7,346
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	3,798,115	3,798,115
Weighted average number of ordinary shares used in calculating diluted earnings per share	3,798,115	3,798,115
	Cents	**Cents**
Basic earnings per share	2.01	0.19
Diluted earnings per share	2.01	0.19

Note 28. Earnings per share (continued)

Accounting policy for earnings per share
Basic and diluted earnings per share is calculated by dividing the profit attributable to the owners of Molonglo Financial Services Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Note 29. Commitments

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

Note 30. Contingencies

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

Note 31. Events after the reporting period

Since the end of the year, the company has entered into an agreement to sell the revenue rights associated with Molonglo Financial Services Limited. The completion of the sale is contingent on both parties to the transaction meeting certain conditions precedent, including the approval of the sale by the shareholders of the company at its next annual general meeting. Settlement of the agreement is scheduled for May 2023. With the approval of the shareholders, the company expects to cease operation in 2023-24.

In September 2022, the company closed its Wanniassa branch upon the expiry of its property lease. All staff and customer accounts have been transferred to the remaining two branches.

No other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors' declaration

For the financial year ended 30 June 2022

In the directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, the Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in the notes to the financial statements;
- the attached financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Brian Joseph Brown
Chair

17 October 2022

Independent audit report

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Molonglo Financial Services Limited (the company), which comprises:

- Statement of financial position as at 30 June 2022
- Statement of profit or loss and other comprehensive income
- Statement of changes in equity
- Statement of cash flows
- Notes to the financial statements, including a summary of significant accounting policies
- The directors' declaration of the company.

In our opinion, the accompanying financial report of Molonglo Financial Services Limited, is in accordance with the *Corporations Act 2001*, including:

i. giving a true and fair view of the company's financial position as at 30 June 2022 and of its financial performance for the year ended on that date; and
ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

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

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

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

Andrew Frewin Stewart
61 Bull Street Bendigo VIC 3550

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03 5443 0344

Material uncertainty related to going concern

Our opinion is not modified for this matter. We draw attention to Note 2 in the financial report, which indicates the accounts have been prepared on a going concern basis, notwithstanding that the company has entered into an agreement to sell its revenue rights, with the intention to wind up by May 2023. Due to the conditions around the pending sale as disclosed in Note 2, we consider the going concern basis remains appropriate.

Other Information

The company usually prepares an annual report that will include the financial statements, directors' report and declaration and our independence declaration and audit report (the financial report). The annual report may also include "other information" on the entity's operations and financial results and financial position as set out in the financial report, typically in a Chairman's report and Manager's report, and reports covering governance and shareholder matters.

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

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

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

If we identify that a material inconsistency appears to exist when we read the annual report (or become aware that the other information appears to be materially misstated), we will discuss the matter with the directors and where we believe that a material misstatement of the other information exists, we will request management to correct the other information.

Responsibilities of the Directors for the Financial Report

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

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

Andrew Frewin Stewart
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Auditor's responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Andrew Frewin Stewart
61 Bull Street, Bendigo, Vic, 3550
Dated: 17 October 2022

Adrian Downing
Lead Auditor

afsbendigo.com.au

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Bendigo Bank

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