

# Molonglo Financial Services Limited

ABN: 77 100 097 443

Financial Statements

For the half-year ended 31 December 2019

# Molonglo Financial Services Limited

## Directors' Report

Your directors submit the financial report of the company for the half-year ended 31 December 2019.

### Directors

The names of directors who held office during the half-year and until the date of this report are as below:

Neale Desmond Guthrie	Sarah Davina Rajic
Brian Joseph Brown	Adrienne Marie Day
Alison Louise Bleathman	Emma Louise Stonham ( <i>Resigned 19 August 2019</i> )
Klarisa Dominka Cengic	Catherine Lesley Walsh ( <i>Resigned 9 August 2019</i> )
Radmila Noveska	Yvonne Alice Gillett ( <i>Resigned 15 July 2019</i> )
Nigel William Phair	

### Principal activities

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

### Review of operations

Operations have continued to perform in line with expectations. The net profit/(loss) of the company for the financial period after the provision of income tax was:

Half-year ended 31 December 2019	Half-year ended 31 December 2018
\$ (45,282)	\$ 61,070

### New Accounting Standards implemented

The company has implemented a new Accounting Standard which has come into effect and is included in the results. AASB 16: *Leases* (AASB 16) has been applied retrospectively without restatement of comparatives by recognising the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: *Leases*.

### Events after the end of the reporting period

There are no matters or circumstances that have arisen since the end of the half year reporting period that have significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company.

### Auditor's independence declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

Signed in accordance with a resolution of the directors at Canberra, Australian Capital Territory.

Deputy Chair \_\_\_\_\_



**Brian Joseph Brown**

Dated this 27th day of February 2020

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

We declare that, to the best of our knowledge and belief, for the half-year ended 31 December 2019 there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review
- ii. any applicable code of professional conduct in relation to the review.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 27 February 2020



**Joshua Griffin**  
Lead Auditor

# Molonglo Financial Services Limited

## Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 31 December 2019

	2019 \$	2018 \$
Revenue from ordinary activities	1,323,585	1,341,829
Employee benefits expense	(909,535)	(743,191)
Charitable donations, sponsorship, advertising and promotion	(67,950)	(85,007)
Occupancy and associated costs	(26,250)	(154,420)
Systems costs	(71,216)	(74,040)
Depreciation and amortisation expense	(135,000)	(58,967)
Finance costs	(53,385)	(1,032)
General administration expenses	(122,413)	(140,814)
<b>Profit/(loss) before income tax</b>	<b>(62,164)</b>	<b>84,358</b>
Income tax (expense)/credit	16,882	(23,288)
<b>Profit/(loss) after income tax</b>	<b>(45,282)</b>	<b>61,070</b>
<b>Total comprehensive income for the half-year attributable to the ordinary shareholders of the company:</b>	<b>(45,282)</b>	<b>61,070</b>
<b>Earnings per share</b>	<b>¢</b>	<b>¢</b>
- Basic and diluted earnings/(loss) per share:	(1.19)	1.61

# Molonglo Financial Services Limited

## Statement of Financial Position

For the half-year ended 31 December 2019

	Note	31-Dec-19 \$	30-Jun-19 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		513,858	606,820
Trade and other receivables		232,613	230,014
<b>Total current assets</b>		<b>746,471</b>	<b>836,834</b>
<b>Non-current assets</b>			
Property, plant and equipment		584,830	665,762
Right of use assets	7	1,377,460	-
Intangible assets		90,084	113,610
Deferred tax assets		350,219	117,897
<b>Total non-current assets</b>		<b>2,402,593</b>	<b>897,269</b>
<b>TOTAL ASSETS</b>		<b>3,149,064</b>	<b>1,734,103</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		191,277	166,462
Borrowings		836	21,379
Lease liabilities	7	190,945	-
Provisions		108,543	89,175
<b>Total current liabilities</b>		<b>491,601</b>	<b>277,016</b>
<b>Non-current liabilities</b>			
Trade and other payables		-	46,442
Borrowings		-	58,166
Lease liabilities	7	1,916,363	-
Provisions		109,914	32,073
<b>Total non-current liabilities</b>		<b>2,026,277</b>	<b>136,681</b>
<b>TOTAL LIABILITIES</b>		<b>2,517,878</b>	<b>413,697</b>
<b>NET ASSETS</b>		<b>631,186</b>	<b>1,320,406</b>
<b>EQUITY</b>			
Issued capital		2,223,293	2,223,293
Accumulated losses	8	(1,592,107)	(902,887)
<b>TOTAL EQUITY</b>		<b>631,186</b>	<b>1,320,406</b>

The accompanying notes form part of these financial statements

# Molonglo Financial Services Limited

## Statement of Changes in Equity

For the half-year ended 31 December 2019

	Note	Issued capital \$	Accumulated losses \$	Total equity \$
<b>Balance at 1 July 2018</b>		2,223,293	(903,748)	1,319,545
Total comprehensive income for the half-year		-	61,070	61,070
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	9	-	(75,962)	(75,962)
<b>Balance at 31 December 2018</b>		<b>2,223,293</b>	<b>(918,640)</b>	<b>1,304,653</b>
<b>Balance at 1 July 2019</b>		2,223,293	(902,887)	1,320,406
Cumulative retrospective effect of AASB 16: <i>Leases</i>	2	-	(567,976)	(567,976)
<b>Restated balance at 1 July 2019</b>		<b>2,223,293</b>	<b>(1,470,863)</b>	<b>752,430</b>
Total comprehensive income for the half-year		-	(45,282)	(45,282)
<b>Transactions with owners in their capacity as owners:</b>				
Dividends provided for or paid	9	-	(75,962)	(75,962)
<b>Balance at 31 December 2019</b>		<b>2,223,293</b>	<b>(1,592,107)</b>	<b>631,186</b>

# Molonglo Financial Services Limited

## Statement of Cash Flows

For the half-year ended 31 December 2019

	Note	2019 \$	2018 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		1,463,653	1,450,090
Payments to suppliers and employees		(1,294,133)	(1,355,443)
Lease payments (interest component)	7	(51,794)	-
Interest received		2,754	3,875
Interest paid		(1)	(1,032)
<b>Net cash provided by operating activities</b>		<b>120,479</b>	<b>97,490</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(4,875)	(76,950)
Payments for intangible assets		(41,614)	(41,614)
<b>Net cash used in investing activities</b>		<b>(46,489)</b>	<b>(118,564)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(14,743)
Lease payments (principal component)	7	(90,990)	-
Dividends paid	9	(75,962)	(75,962)
<b>Net cash used in financing activities</b>		<b>(166,952)</b>	<b>(90,705)</b>
<b>Net cash decrease in cash held</b>		<b>(92,962)</b>	<b>(111,779)</b>
Cash and cash equivalents at the beginning of the financial year		606,820	604,088
<b>Cash and cash equivalents at the end of the half-year</b>		<b>513,858</b>	<b>492,309</b>

# Molonglo Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

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### Note 1. Summary of significant accounting policies

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#### Statement of Compliance

This general purpose financial report has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34: *Interim Financial Reporting*.

#### Basis of preparation

This financial report is intended to provide users with an update on the latest annual financial statements and does not include all the notes of the type normally included in an annual financial report. Accordingly the report shall be read in conjunction with the annual financial report for the year ended 30 June 2019 and any public announcements made by the company during the period.

#### Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial report and the previous corresponding interim period, apart from the new Accounting Standard detailed below.

The half-year financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

#### New Accounting Standards Implemented

The company has considered the implications of new or amended Accounting Standards which have become applicable for the current financial reporting period. The company had to change its accounting policies and make adjustments as a result of adopting AASB 16 *Leases*.

The impact of the adoption of this Standard and the respective accounting policies is disclosed in Note 2.

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### Note 2. Changes in accounting policies

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This note describes the nature and effect of the adoption of AASB 16 on the company's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

#### a) Types of leases

The company has entered into non-cancellable lease arrangements for its branch premises, office space, and motor vehicles.

#### b) Impact on comparatives

The company has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information has not been restated.

#### c) Leases

##### *The company as lessee*

At inception of a contract, the company assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the company where the company is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining term of 12 months or less) and leases of low value assets are recognised as operating expenses on a straight-line basis over the term of the lease.



# Molonglo Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

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### Note 2. Changes in accounting policies (*continued*)

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#### d) Initial application of AASB 16

The company has recognised a lease liability and right-of-use asset for all leases recognised as operating leases under the now inoperative AASB 117: *Leases* where the company is the lessee.

Lease liabilities are shown at the present value of the remaining lease payments at balance date. The company's incremental borrowing rate as at 1 July 2019 has been used to discount the lease payments.

The following practical expedients have been used by the company in applying AASB 16 for the first time:

- A single discount rate has been applied.
- Initial direct costs have been excluded from the measurement of the right-of-use asset at the date of application.
- Leases that have a remaining lease term of less than 12 months as at 1 July 2019 have been accounted for in the same way as short-term leases.
- The use of hindsight to determine lease terms on contracts that have options to extend or terminate.

#### e) Financial impact

Impacts on the financial statements and notes as at and for the half-year ended 31 December 2019 are shown throughout this report. As at the date of transition the impact of the new standard is summarised below in the noted items:

Balance sheet as at 1 July 2019	\$
Right-of-use assets	1,403,126
Make-good provision	(65,749)
Lease liabilities	(2,120,793)
Deferred tax asset	215,440
<b>Accumulated losses</b>	<b><u>(567,976)</u></b>
Lease liabilities reconciliation on transition	
Operating lease disclosure as at 30 June 2019	727,148
Add: additional options now expected to be exercised	1,551,807
Add: variable market review increase	432,578
Less: AASB 117 lease commitments reconciliation	(21,435)
Less: discounted to present value	(569,305)
Lease liability as at 1 July 2019	<b><u>2,120,793</u></b>

Lease liabilities were discounted using a weighted average discount rate of 4.79%.

#### f) Recognition exemption

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.

	31-Dec-19	31-Dec-18
	\$	\$
Expenses relating to low value leases	<u>31,856</u>	<u>-</u>

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### Note 3. Events subsequent to reporting date

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There have been no events subsequent to reporting date that would materially affect the financial statements at the reporting date.

# Molonglo Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

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### Note 4. Contingent assets and liabilities

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

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### Note 5. Segment reporting

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The economic entity operates in a single service sector where it facilitates community banking services in Wanniasa, Calwell, and Curtin, in the Australian Capital Territory, and in Jerrabomberra in New South Wales, pursuant to a franchise agreement with Bendigo and Adelaide Bank Limited.

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### Note 6. Related parties

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Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2019 annual financial report.

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### Note 7. Leases

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The company's lease portfolio includes its branch premises, an office space, and motor vehicles. The lease term is the non-cancellable term plus options reasonably expected to be exercised.

The company's lease portfolio lease terms include:

Calwell branch	- a non-cancellable term of five years plus an option of five years.
Curtin branch	- a non-cancellable term of five years plus an option of five years.
Jerrabomberra branch	- a non-cancellable term of five years plus an option of five years.
Wanniasa branch	- a non-cancellable term of five years plus an option of five years.
Administration Office Space	- a non-cancellable term of two years. The lease will be reviewed prior to its expiration in August 2020.
Motor vehicles	- a non-cancellable term of three years. The lease includes a balloon payment at which time the registered security over the three motor vehicles is removed.

#### a) 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 on the adoption date. The incremental borrowing discount rate used was 4.79%.

The discount rate used in calculating the present value of enforceable future payments takes into account the particular circumstances applicable to the underlying leased assets (including the amount, lease term, economic environment, and other relevant factors).

The company has estimated remaining lease terms including the effects of any renewal options or termination options expected to be reasonably exercised, applying hindsight where appropriate.

# Molonglo Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

<b>Note 7. Leases (continued)</b>		
<b>a) Lease liabilities (continued)</b>	<b>31-Dec-19</b>	<b>30-Jun-19</b>
	<b>\$</b>	<b>\$</b>
<b>Current:</b>		
Lease liability	287,778	-
Unexpired interest	(96,833)	-
	<u>190,945</u>	<u>-</u>
<b>Non-current</b>		
Lease liability	2,344,112	-
Unexpired interest	(427,749)	-
	<u>1,916,363</u>	<u>-</u>
Impact on the current reporting period:		
<b>Lease liabilities</b>		
Initial recognition on adoption	2,120,793	-
Borrowings transferred to lease liabilities	77,505	-
Lease payments (interest component)	51,794	-
Lease payments	(142,784)	-
Lease liabilities as at 31 December 2019	<u>2,107,308</u>	<u>-</u>
<b>Maturity analysis</b>		
- not later than 12 months	287,778	-
- between 12 months and 5 years	1,199,337	-
- greater than 5 years	1,144,775	-
Total lease payments	<u>2,631,890</u>	<u>-</u>
Less unexpired interest	(524,582)	-
Present value of lease liabilities	<u>2,107,308</u>	<u>-</u>
<b>b) Right-of-use assets</b>		
Right-of-use assets were measured at amounts equal to the present value of enforceable future payments on the lease commencement date, adjusted for lease incentives, make-good provisions, and initial direct costs.		
Impact on the current reporting period:		
<b>Right-of-use assets</b>		
Balance at the beginning of the financial year	-	-
Initial recognition on adoption	2,882,123	-
Accumulated depreciation on adoption	(1,478,997)	-
Right-of-use asset transferred - gross	69,329	-
Right-of-use asset transferred - accumulated depreciation	(1,899)	-
Depreciation expense	(93,096)	-
Right-of-use assets as at 31 December 2019	<u>1,377,460</u>	<u>-</u>

# Molonglo Financial Services Limited

## Notes to the Financial Statements

For the half-year ended 31 December 2019

### Note 7. Leases (continued)

#### c) Impact on the profit or loss

Comparison under current AASB 16 and form AASB 117	\$
Decrease in occupancy and associated costs	131,431
Increase in finance costs	(51,582)
Increase in depreciation and amortisation expense	(84,360)
<b>Decrease in profit before tax</b>	<b><u>(4,511)</u></b>
Increase in current income tax expense	(36,144)
Decrease in current income tax expense - deferred tax	37,384
<b>Decrease in profit after tax</b>	<b><u><u>(3,271)</u></u></b>

Note 8. Accumulated losses	31-Dec-19	30-Jun-19
	\$	\$
Balance at the beginning of the financial year	(902,887)	(903,748)
Cumulative adjustment of leases under AASB 16	(567,976)	-
Net loss from ordinary activities after income tax	(45,282)	76,823
Dividends provided for or paid	(75,962)	(75,962)
Balance at the end of the reporting period	<u><u>(1,592,107)</u></u>	<u><u>(902,887)</u></u>

Note 9. Dividends provided for or paid	31-Dec-19		31-Dec-18	
	Cents	\$	Cents	\$
a) Dividends paid during the period				
Unfranked dividend declared and paid in the period:	<u>2</u>	<u>75,962</u>	<u>2</u>	<u>75,962</u>

# Molonglo Financial Services Limited

## Directors' Declaration

In the opinion of the directors of Molonglo Financial Services Limited ("the company"):

1. The financial statements and notes thereto are in accordance with the *Corporations Act 2001* including:
  - a. giving a true and fair view of the financial position of the entity as at 31 December 2019 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date;
  - b. complying with Australian Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*; and
2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Deputy Chair



**Brian Joseph Brown**

Dated this 27 day of February 2020.

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

### **Report on the half-year financial report**

We have reviewed the accompanying half-year financial report of Molonglo Financial Services Limited, which comprises the balance sheet as at 31 December 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### **Directors' responsibility for the half-year financial report**

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Molonglo Financial Services Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

## **Independence**

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

## **Auditor's opinion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Molonglo Financial Services Limited is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position at 31 December 2019 and of its performance for the half-year ended on that date
- b. complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.



**Andrew Frewin Stewart**  
61 Bull Street, Bendigo Vic 3550  
Dated: 27 February 2020



**Joshua Griffin**  
Lead Auditor

Taxation

Business Services

Community Banking

Audit

Share Registry

Your partners  
**in success**



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