Mission Beach Community Enterprises Limited

ABN 15 129 575 560

annual report 2011

Mission Beach **Community Bank®** Branch

Contents

Chairperson's report

For year ending 30 June 2011

What turbulent times we have been through. Since our opening in July 2008 at the height of the Global Financial Crisis (GFC), we have continued to grow, and grow strongly, despite the strong headwinds caused by global events, natural disasters and the instability caused by turnover of Branch Managers.

As shareholders, we should all feel proud of our achievement in establishing a full service banking facility for our community. How wonderful that we were open within two days of Cyclone Yasi to support the community by cashing their Disaster Relief cheques and to provide support to our existing customers and non-customers. Our Branch Manager, Geoff Beckley showed outstanding leadership and commitment. Our staff, Alicia Dewberry, Jodi Hunt and Diana Kennedy-Wood provided admirable support and service to a distressed community. Regrettably, the Cyclone took its toll on two of our staff who have subsequently left Mission Beach.

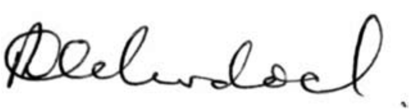
As shareholders, we should also feel proud of the financial support we have given to our community. In our first three years we have provided more than $30,000 to various community initiatives. The $11,000 we contributed this year provided a shade cloth for Mission Beach State School play area, sponsored a candidate to attend the RYLA youth leadership camp organised by Rotary, supported the Onna Mission Adventure Race organized by the Surf Club and Police Youth Club, the Photographic Stills Exhibition as part of Mission Beach Film Festival and various other community projects. Our big ticket item is our offer to the Mission Beach Aquatic Facility and Cassowary Coast Regional Council to provide solar heating to facilitate all year round use of the swimming pool. We are accruing funds toward this significant project over a three year period. Through the Community Enterprise FoundationTM arm of Bendigo and Adelaide Bank Ltd, we facilitated a $10,000 grant for Mission Beach Rotary to restore the Cutten Brothers Walking Track.

Your Directors put in another dedicated year in a voluntary capacity. Two Directors attended a workshop in Brisbane, another Director attended the State Conference in Noosa and a fourth attended the National Conference in Sydney. We had one Director resign with two candidates in training seeking election at this AGM. We have three Directors retiring at this AGM.

Our gratitude is again extended to our staff, both old and new. Having a Branch Manager and staff who understand the **Community Bank®** model and can communicate it effectively is a catalyst for the escalated growth of our business. While we still have a trading loss this year, the loss is getting less as the business grows and our break-even point is now in sight.

This is my final year as Chair and as a Director. As I reflect on the process which began in July 2006, after Cyclone Larry and is ending five years later after Cyclone Yasi, I feel that we have achieved an extraordinary thing which will continue to benefit this community for many years to come and with increasing contribution. None of it would have been possible without the commitment and dedication of the original Steering Committee, three of whom are continuing on as Directors. I would like to thank you all for your support and acceptance of my tyranny as Chair.

Finally, thank you to our shareholders. It is your capital that made it possible. It is a sign of your conviction and commitment that only three trades of shares out of 372 shareholders have occurred. Your patience will be rewarded.



Rhonda Murdoch
Chairperson

Manager's report

For year ending 30 June 2011

Mission Beach **Community Bank®** Branch has continued to grow its business during the 2011 financial year.

Solid growth has been achieved despite difficult trading conditions. Even prior to the horror of Cyclone Yasi in February 2011, it was evident that the main economic driver of Mission Beach, tourism, was suffering. The regional industries of banana and sugar cane farms were also experiencing difficult trading conditions. Residential property sales were down on previous years. Add to this mix a high Australian dollar, global uncertainty and consumer reluctance, combined with the largest cyclone ever experienced in recorded history which centred on Mission Beach and followed by floods, and the scene was set for very challenging times.

Our determination to re-open the branch quickly after the cyclone was achieved, with the branch closed for only two days. The staff deserve a special thank you. They continued servicing and supporting our customers, even while their own properties and families were adversely affected.

We came through all of this and still grew our total business by a huge 45.1% from $17.3 million as at 30 June 2010 to more than $25 million as at 30 June 2011. Customer numbers increased to 1,059, up 23.7% on the previous year. EFTPOS merchant facilities grew by 24% to 31 outlets.

Growth has been achieved through a program of presentations to business groups and individuals explaining the benefits of the **Community Bank®** model. Specialist bankers in commercial business, agribusiness, financial planning, insurance and debtor finance have all participated in this program as required.

Bendigo and Adelaide Bank Ltd received an A- credit upgrading this year, only one of three banks in the world to achieve this since the GFC.

Like all businesses, our success is also driven by our staff. Our staff volunteer a lot of spare time to assist our business During the year, original staff members Alicia Dewberry and Diana Kennedy-Wood left the area. Di is still with Bendigo and Adelaide Bank Ltd in Brisbane and Alicia has moved back to the big smoke of Sydney. We have been very lucky in recruiting two excellent **Community Bank®** branch trained ladies to replace them. Angela Jackson joined us from Hervey Bay and Andrea Hall from Pinjarra, WA. Their wealth of experience has been greatly appreciated and both have added significantly to our continued success.

Jodi Hunt, our remaining founding staff member merits a special thank you. Jodi remains as passionate and committed to our business as she has from the beginning. Her local knowledge has assisted me and previous managers develop the branch.

During the year, more shareholders have transferred their banking to us. This tangible effort to support your local **Community Bank®** branch will drive our business to profitability, rewarding both shareholders and the community alike.

I would like to thank the Board for their efforts and support throughout the year. They are volunteers who give up a lot of time to help ensure Mission Beach **Community Bank®** Branch is highly successful.

Geoff Beckley
Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank®** shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than $58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with $469 thousand returned within the first five years, $8.15 million within the first eight and $22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top $100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned $58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation™, Community Sector Banking, Community Telco, Generation Green™ and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank®** Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank®** branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank®** model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.

Russell Jenkins
Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial year are:

Patrick Bernard Biddlecombe
Director
Occupation - Retired Executive Chef

Debbie Lee Brittain
Director
Occupation - Restaurateur/Office Manager

Tracey Lehua Chamlin
Company Secretary
Occupation - Education Adviser

Rhonda Catherine Murdoch
Chairperson
Occupation - Business Management

Anthony Trevor Lee (Resigned 31 August 2010)
Director
Occupation - Solicitor

Richard Thomas Brant
Director
Occupation - Computing and It Consultant

Peter Anthony Leach (Resigned 27 June 2011)
Director
Occupation - Pharmacist

Lynda Mae Hannah
Director
Occupation - Retired Education Adviser

Brigitte Yelds
Director
Occupation - Accounts Manager

Karen Maquire (Appointed 26 October 2010)
Director
Occupation - Medical Practice Manager

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

No Directors have material interests in contracts or proposed contracts with the Company.

Principal activities

The principal activities of the Company during the course of the financial year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Review of operations

Operations have performed in line with expectations. The loss of the Company for the financial year after provision for income tax was $120,379 (2010: $146,968).

Dividends

The Directors recommend that no dividend be paid for the current year.

Directors' report continued

Significant changes in the state of affairs

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

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Likely developments

The Company will continue its policy of providing banking services to the community.

Remuneration report

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. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and insurance of Directors and Officers

The Company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #
Patrick Bernard Biddlecombe	9 (11)
Debbie Lee Brittain	9 (11)
Tracey Lehua Chamlin	8 (11)
Rhonda Catherine Murdoch	11 (11)
Anthony Trevor Lee (Resigned 31 August 2010)	2 (2)
Richard Thomas Brant	9 (11)
Lynda Mae Hannah	11 (11)
Brigitte Yelds	10 (11)
Peter Anthony Leach (Resigned 27 June 2011)	11 (11)
Karen Maquire (Appointed 26 October 2010)	10 (11)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A - not a member of that Committee.

Company Secretary

Tracey Lehua Chamlin has been Minutes Secretary for the Board since inception in 2008 until she assumed the role of Company Secretary in October 2010. Tracey is an Education Advisor and has had extensive experience in the administrative functions in a range of government departments.

Corporate governance

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

(a) Director approval of operating budgets and monitoring of progress against these budgets;

(b) Ongoing Director training; and

(c) Monthly Director meetings to discuss performance and strategic plans.

Auditor Independence Declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty

CHARTERED ACCOUNTANTS

Level 2, 10 -16 Forest Street
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's Independence Declaration

In relation to our audit of the financial report of Mission Beach Community Enterprises Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner

Richmond Sinnott & Delahunty

Bendigo

23 September 2011

Signed in accordance with a resolution of the Board of Directors in Mission Beach, Queensland on 23 September 2011

Rhonda Catherine Murdoch
Chairperson

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	247,813	166,832
Employee benefits expense	3	(219,118)	(194,982)
Charitable donations and sponsorship		(11,058)	(6,033)
Depreciation and amortisation expense	3	(12,853)	(13,042)
Other expenses		(172,615)	(163,440)
Profit/(loss) before income tax expense		**(167,831)**	**(210,665)**
Income tax benefit	4	47,452	63,697
Profit/(loss) after income tax expense		**(120,379)**	**(146,968)**
Other comprehensive income		-	-
Total comprehensive income		**(120,379)**	**(146,968)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(13.76)	(16.80)
- diluted for profit / (loss) for the year	21	(13.76)	(16.80)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	-	109,478
Receivables	7	28,075	18,515
Total current assets		**28,075**	**127,993**
Non-current assets			
Property, plant and equipment	8	163,463	174,316
Deferred tax assets	4	196,649	149,197
Intangible assets	9	4,000	6,000
Total non-current assets		**364,112**	**329,513**
Total assets		**392,187**	**457,506**
Current liabilities			
Bank overdraft	6	48,485	-
Payables	10	23,759	28,501
Provisions	11	14,544	3,227
Total current liabilities		**86,788**	**31,728**
Total liabilities		**86,788**	**31,728**
Net assets		**305,399**	**425,778**
Equity			
Share capital	12	856,704	856,704
Retained earnings / (accumulated losses)	13	(551,305)	(430,926)
Total equity		**305,399**	**425,778**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		261,050	156,500
Cash payments in the course of operations		(421,272)	(374,167)
Interest received		2,259	9,869
Net cash flows from/(used in) operating activities	**14b**	**(157,963)**	**(207,798)**
Cash flows from investing activities			
Payments for property, plant and equipment		-	(1,559)
Net cash flows from/(used in) investing activities		**-**	**(1,559)**
Net increase/(decrease) in cash held		**(157,963)**	**(209,357)**
Cash and cash equivalents at start of year		109,478	318,835
Cash and cash equivalents at end of year	**14a**	**(48,485)**	**109,478**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		856,704	856,704
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**856,704**	**856,704**
Retained earnings / (accumulated losses)			
Balance at start of year		(430,926)	(283,958)
Profit/(loss) after income tax expense		(120,379)	(146,968)
Dividends paid	20	-	-
Balance at end of year		**(551,305)**	**(430,926)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Mission Beach Community Enterprises Limited (‘the Company’) is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 23 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report. These changes are not expected to have a material impact on the Company’s financial statements.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

Income tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income 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 income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Fitout costs	2.5%
Plant & equipment	4-25%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

Receivables and payables are stated with the amount of GST included.

Note 1. Basis of preparation of the financial report (continued)

Goods and services tax (continued)

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. Cash flows are included in the Statement of Cash Flows on a gross basis.

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

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

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

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

Interest and fee revenue is recognised when earned. All revenue is stated net of the amount of goods and services tax (GST).

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Loans and borrowings

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

Provisions

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

Note 1. Basis of preparation of the financial report (continued)

Provisions (continued)

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

Share capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

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

	2011 $	2010 $

Note 2. Revenue from continuing operations

Operating activities		
- services commissions	245,554	156,963
- other revenue	-	-
	245,554	**156,963**
Non-operating activities:		
- interest received	2,259	9,869
- other revenue	-	-
	2,259	**9,869**
	247,813	**166,832**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	177,023	161,873
- superannuation costs	15,799	14,786
- workers' compensation costs	578	641
- other costs	25,718	17,682
	219,118	**194,982**

	2011 $	2010 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- plant and equipment	8,027	8,144
- leasehold improvements	2,826	2,898
Amortisation of non-current assets:		
- intangibles	2,000	2,000
	12,853	**13,042**
Finance costs:		
- Interest paid	84	-
Bad debts	389	84

Note 4. Income tax expense

The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:

Prima facie tax on profit/(loss) before income tax at 30%	(50,349)	(63,200)
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	2,897	(497)
Current income tax expense / (benefit)	**(47,452)**	**(63,697)**
Income tax expense / (benefit)	**(47,452)**	**(63,697)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**(196,649)**	**(149,197)**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,900
	3,900	**3,900**

Notes to the financial statements continued

	2011 $	2010 $

Note 6. Cash and cash equivalents

Cash at bank and on hand / (bank overdraft)	**(48,485)**	**109,478**

Note 7. Receivables

Trade debtors	28,075	18,515
	28,075	**18,515**

Note 8. Property, plant and equipment

Leasehold improvements		
At cost	117,757	117,757
Less accumulated depreciation	(7,538)	(4,712)
	110,219	**113,045**
Plant and equipment		
At cost	74,339	74,339
Less accumulated depreciation	(21,095)	(13,068)
	53,244	**61,271**
Total written down amount	**163,463**	**174,316**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	113,045	115,943
Additions	-	-
Disposals	-	-
Depreciation expense	(2,826)	(2,898)
Carrying amount at end of year	**110,219**	**113,045**
Plant and equipment		
Carrying amount at beginning of year	61,271	67,856
Additions	-	1,559
Disposals	-	-
Depreciation expense	(8,027)	(8,144)
Carrying amount at end of year	**53,244**	**61,271**

Notes to the financial statements continued

	2011 $	2010 $

Note 9. Intangible assets

	2011 $	2010 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	6,000	4,000
	4,000	**6,000**

Note 10. Payables

	2011 $	2010 $
Trade creditors	9,715	20,545
Credit card	267	-
Other creditors and accruals	13,777	7,956
	23,759	**28,501**

Note 11. Provisions

	2011 $	2010 $
Employee benefits	**14,544**	**3,227**
Movement in employee benefits		
Opening balance	3,227	3,227
Additional provisions recognised	13,617	12,451
Amounts utilised during the year	(2,300)	(12,451)
Closing balance	**14,544**	**3,227**

Note 12. Share capital

	2011 $	2010 $
875,000 Ordinary shares fully paid of $1 each	875,000	875,000
Share issue costs	(18,296)	(18,296)
	856,704	**856,704**

Note 13. Retained earnings / (accumulated losses)

	2011 $	2010 $
Balance at the beginning of the financial year	(430,926)	(283,958)
Profit/(loss) after income tax	(120,379)	(146,968)
Dividends	-	-
Balance at the end of the financial year	**(551,305)**	**(430,926)**

	2011 $	2010 $

Note 14. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**(48,485)**	**109,478**

(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities

Profit / (loss) after income tax	(120,379)	(146,968)
Non cash items		
- Depreciation	10,853	11,042
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(47,452)	(63,697)
- (Increase) decrease in receivables	(9,560)	(16,275)
- Increase (decrease) in payables	(4,742)	6,100
- Increase (decrease) in provisions	11,317	-
Net cash flows from/(used in) operating activities	**(157,963)**	**(207,798)**

Note 15. Director and related party disclosures

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

Patrick Bernard Biddlecombe
Debbie Lee Brittain
Tracey Lehua Chamlin
Rhonda Catherine Murdoch
Anthony Trevor Lee (Resigned 31 August 2010)
Richard Thomas Brant
Lynda Mae Hannah
Brigitte Yelds
Peter Anthony Leach (Resigned 27 June 2011)
Karen Maquire (Appointed 26 October 2010)

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

Notes to the financial statements continued

Note 15. Director and related party disclosures (continued)

Directors' shareholdings	2011	2010
Patrick Bernard Biddlecombe	26,000	26,000
Debbie Lee Brittain	1,000	1,000
Tracey Lehua Chamlin	1,500	1,500
Rhonda Catherine Murdoch	5,000	5,000
Anthony Trevor Lee (Resigned 31 August 2010)	6,000	6,000
Richard Thomas Brant	500	500
Lynda Mae Hannah	1,500	1,500
Brigitte Yelds	4,000	4,000
Peter Anthony Leach (Resigned 27 June 2011)	2,000	2,000
Karen Maquire (Appointed 26 October 2010)	1,000	1,000

There was no movement in shares held during the year. Each share held has a paid up value of $1 and is fully paid.

Note 16. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 17. Contingent liabilities and assets

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

Note 18. Segment reporting

The economic entity operates in the financial services sector where it provides banking services to its clients. The economic entity operates in one geographic area being Mission Beach, Queensland.

Note 19. Corporate information

Mission Beach Community Enterprises Limited is a Company limited by shares incorporated in Australia.

The registered office is: 35 Reid Road, Wongaling Beach QLD 4852

The principal place of business is: Shop 5, 34-40 Dickinson Street, Wongaling Beach QLD 4852

Note 20. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2011 $	2010 $

Note 21. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2011 $	2010 $
Profit/(loss) after income tax expense	**(120,379)**	**(146,968)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**875,000**	**875,000**

Note 22. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

(a) 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. For the Company it arises from receivables and cash assets.

Note 22. Financial risk management (continued)

(a) Credit risk (continued)

The maximum exposure to credit risk at reporting date to recognised financial assets is the carrying amount of those assets as disclosed in the Statement of Financial Position and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2011 $	2010 $
Cash assets	-	109,478
Receivables	28,075	18,515
	28,075	**127,993**

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of receivables are due from Bendigo and Adelaide Bank Ltd and the Australian Taxation Office.

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank Ltd.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	23,759	(23,759)	(23,759)	–	–
	23,759	**(23,759)**	**(23,759)**	**–**	**–**
30 June 2010					
Payables	28,501	(28,501)	(28,501)	–	–
	28,501	**(28,501)**	**(28,501)**	**–**	**–**

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	Carrying amount	
	2011	**2010**
	$	**$**
Fixed rate instruments		
Financial assets	-	50,000
Financial liabilities	-	-
	-	**50,000**
Variable rate instruments		
Financial assets	-	59,478
Financial liabilities	(48,485)	-
	(48,485)	**59,478**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. The Company does not have any unrecognised financial instruments at year end.

Notes to the financial statements continued

Note 22. Financial risk management (continued)

(e) Capital management

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

(i) the Distribution Limit is the greater of:

   (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and

   (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

Directors' declaration

In accordance with a resolution of the Directors of Mission Beach Community Enterprises Limited, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2011 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Rhonda Catherine Murdoch
Chairperson

Signed in Mission Beach, Queensland on 23 September 2011.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF MISSION BEACH
COMMUNITY ENTERPRISES LIMITED

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Mission Beach Community Enterprises Limited, for the year ended 30 June 2011.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

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

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We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Mission Beach Community Enterprises Limited is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

W. J. SINNOTT
Partner
Bendigo

Date: 23 September 2011

Mission Beach **Community Bank**® Branch
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ABN 11 068 049 178. AFSL 237879.
(BMPAR11111) (09/11)

Bendigo Bank