Mission Beach **Community Bank®** Branch

annual report 2012

Mission Beach

Community Enterprises Limited

ABN 15 129 575 560

Contents

Chairman's report

For year ending 30 June 2012

The Global Financial Crisis has been a challenging time for many overseas financial institutions. Australian banks have proven a little more resilient, however every Australian bank has relied on government guarantees to borrow from wholesale markets – every bank that is except Bendigo and Adelaide Bank and our subsidiary Rural Bank.

It says a great deal about the **Community Bank®** model when our **Community Bank®** branch continues to grow in spite of global and local conditions. Our community is still reeling from the effects of two major cyclones in five years, so it is a credit to our hard working Branch Manager Geoff Beckley and our wonderful staff Jodi Hunt, Diana Kennedy and Angela Jackson that we have continued to grow from $26.5 million to $34 million this financial year.

Our success is also due to our very dedicated team of volunteer Directors who have developed the strategic goals for the company and ensured the business has been run in accordance to our public company corporate governance requirements and our franchise agreement with Bendigo Bank. Without their many volunteer hours, Mission Beach **Community Bank®** Branch would not exist.

This year your Board has taken a more strategic approach to our community sponsorship program. Your Directors consulted with all major community groups in Mission Beach to explain how the **Community Bank®** model works and to discuss ways in which their **Community Bank®** branch might develop a supporting partnership with their club. Through this process we hope that the broader community begins to understand the concept that simply by banking with us, each customer is directly supporting the local community.

As up to 80% of our company profits must be returned to the community; the more profit we gain, the more capital we can inject into our community. This consultation process also ensures a greater spread of funds across our community and paves the way for long term relationships between our community and our **Community Bank®** branch.

We were fortunate this year to have the Queensland **Community Bank®** State Conference held in Cairns. Six Directors managed to attend at least some part of the conference. The Chairmen of Cardwell, Ravenshoe and I were given the opportunity to present a paper on how Cyclone Yasi affected our community. After the presentation, delegates at the conference donated funds to help each of the three affected communities. Our community received $15,000 to provide a simple water play area as part of the Rotary Park redevelopment. This is in addition to $10,000 from the Community Enterprise Foundation™ Cyclone Yasi Appeal to fund the Rotary restoration of the Cutten Brothers Track will assist us enormously as part of the rebuilding process.

We continue to support Mission Beach State School Banana Festival, Mission Evolve Festival, the Photographic Stills Exhibition, Onna Mission Adventure Race organised by the Police Youth Club and the Surf Club, and the Mission Beach Aquatic Facility water heating. This brings our contributions supporting community initiatives since opening to more than $70,000.

We cannot support our community groups without your business. As shareholders we should all endeavour to support our bank by extending our branch the opportunity to quote on our housing loans, refinancing, insurances, term deposits etc. It is through your business and support that our entire community will prosper.

Lynda Hannah
Chairman

Manager's report

For year ending 30 June 2012

It is with great pleasure that I report another successful year for Mission Beach **Community Bank®** Branch, in this our fourth year of operation.

During the past four years more than $70,000 has been returned to the community.

The period after a nature disaster, such as cyclone Yasi, will always bring difficulties to businesses, individuals and the community in general. This has been true for Mission Beach, which has also been affected by the downturn in tourism in the area. We have experienced people move from the area and a feeling of general uncertainty.

Our business during this time has continued to grow, with our total business exceeding $34 million as at 30 June 2012, an increase of more than 30%. Our customer numbers continue to increase and, as we provide full banking facilities, those customers are increasing the products they have with us.

Margins on deposits and loans were very tight over the majority of the year, this has delayed reaching profitability. However, with our increasing business size and improvement in margins, obtaining that goal is coming closer.

During the year the Directors and I have made many presentations to groups in Mission Beach, increasing the awareness of the role our **Community Bank®** branch has in the community.

As Branch Manager I must acknowledge the strong support received from an extremely dedicated group of staff who embrace the community branch concept and focus on providing service excellence with a strong team ethic. I also recognise the dedication and commitment of the Mission Beach Directors, who provide direction, expertise, time and energy in making this company successful.

I encourage our existing clients and shareholders to become advocates of your **Community Bank®** branch and continue to refer business from family, friends and business acquaintances.

I am very confident that our business will continue to grow in the 2013 financial year,

Geoff Beckley
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 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.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Bendigo and Adelaide Bank report (continued)

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

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 banking and the role it plays in modern society.

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 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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
Board member since February 2008

Debbie Lee Brittain
Director
Occupation - Restaurateur/Office Manager
Board member since February 2008

Christopher Rodney Norton
Director
Occupation – Chartered Accountant
Board member since October 2011

Richard Thomas Brant
Company Secretary
Occupation - Computing and It Consultant
Board member since February 2008

Lynda Mae Hannah
Chairperson
Occupation - Retired Education Adviser
Board member since April 2009

Karen Maquire
Director
Occupation - Medical Practice Manager
Board member since October 2010

Helen Louise Vasta
Director
Occupation – Accountant
Board member since October 2011

Anthony Trevor Lee
Director
Occupation – Solicitor and Mediator
Board member since October 2011

Brigitte Yelds (resigned 27 October 2011)
Director
Occupation - Accounts Manager
Board member since April 2009

Tracey Lehua Chamlin (resigned 27 October 2011)
Company Secretary (retired)
Occupation - Education Adviser
Board member since February 2008

Rhonda Catherine Murdoch (resigned 27 Oct 2011)
Chairperson (retired)
Occupation - Business Management
Board member since February 2008

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 Limited.

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

Operating results

The loss of the company for the financial year after provision for income tax was $41,186 (2011: $120,379).

Dividends

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

Financial position

The net assets of the company have decreased by $41,186 from 30 June 2011 to $264,213 in 2012. The increase is largely due to the early stages of the operations of the company.

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.

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

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.

Indemnifying officers or Auditor

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.

Directors' meetings

The number of Directors' meetings attended during the year were: 12

Director	Board meetings #
Patrick Bernard Biddlecombe	10 (11)
Debbie Lee Brittain	11 (11)
Rhonda Catherine Murdoch (resigned 27 Oct 2011)	4 (4)
Tracey Lehua Chamlin (resigned 27 October 2011)	2 (4)
Lynda Mae Hannah	10 (11)
Richard Thomas Brant	6 (11)
Brigitte Yelds (resigned 27 October 2011)	3 (4)
Karen Maquire	10 (11)
Anthony Trevor Lee	7 (7)
Helen Louise Vasta	5 (7)
Christopher Rodney Norton	7 (7)

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

Richard Tomas Brant has been a Board member since the Company inception. He assumed the role of Company Secretary Mission Beach Community Enterprises from 2008 - October 2010 then again from October 2011. He has attended the Company's Director course, **Community Bank®** Secretary's Workshop and has experience in Commonwealth Government roles and the private sector.

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.

Directors' report (continued)

Non audit services

The Directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed in Note 5 did not compromise the external Auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the Auditor; and
- the nature of the services provided does not compromise the general principles relating to Auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 10 of this financial report.

Signed in accordance with a resolution of the Board of Directors in Mission Beach, Queensland on 20 September 2012.

Lynda Hannah
Chairperson

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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20 September 2012

The Directors
Mission Beach Community Enterprise Limited
Shop 5, 34-40 Dickinson St
WONGALING QLD 4852

To the Directors of Mission Beach Community Enterprise Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has been:

(i) no contraventions of the auditor independence requirements as set out in 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.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W Sinnott

Warren Sinnott
Partner
Dated at Bendigo, 20 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	336,521	247,813
Employee benefits expense	3	(225,677)	(219,118)
Depreciation and amortisation expense	3	(13,485)	(12,853)
Other expenses		(159,746)	(172,615)
Operating loss before charitable donations & sponsorships		**(62,387)**	**(156,773)**
Charitable donations and sponsorship		(832)	(11,058)
Loss before income tax expense		**(63,219)**	**(167,831)**
Income tax benefit	4	22,033	47,452
Net loss for the year		**(41,186)**	**(120,379)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(41,186)**	**(120,379)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	(4.71)	(13.76)
- diluted for profit / (loss) for the year	22	(4.71)	(13.76)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Receivables	7	16,822	28,075
Other current assets	8	5,321	-
Total current assets		**22,143**	**28,075**
Non-current assets			
Property, plant and equipment	9	155,684	163,463
Deferred tax assets	4	218,682	196,649
Intangible assets	10	2,000	4,000
Total non-current assets		**376,366**	**364,112**
Total assets		**398,509**	**392,187**
Liabilities			
Current liabilities			
Bank overdraft	6	105,128	48,485
Payables	11	23,190	23,759
Provisions	12	5,978	14,544
Total current liabilities		**134,296**	**86,788**
Total liabilities		**134,296**	**86,788**
Net assets		**264,213**	**305,399**
Equity			
Issued capital	13	856,704	856,704
Retained earnings / (accumulated losses)	14	(592,491)	(551,305)
Total equity		**264,213**	**305,399**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		377,286	261,050
Cash payments in the course of operations		(430,688)	(421,272)
Interest received		465	2,259
Net cash flows from/(used in) operating activities	**15b**	**(52,937)**	**(157,963)**
Cash flows frominvesting activities			
Payments for property, plant and equipment		(3,706)	-
Net cash flows from/(used in) investing activities		**(3,706)**	**-**
Net increase/(decrease) in cash held		**(56,643)**	**(157,963)**
Cash and cash equivalents at start of year		(48,485)	109,478
Cash and cash equivalents at end of year	**15a**	**(105,128)**	**(48,485)**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(551,305)	(430,926)
Net loss for the year		(41,186)	(120,379)
Dividends paid	21	-	-
Balance at end of year		**(592,491)**	**(551,305)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Mission Beach Community Enterprises Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB.

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement of fair value of selected non current assets, financial assets and financial liabilities.

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 20 September 2012.

(b) Going concern

The financial statements have been prepared on a going concern basis which contemplates continuity of normal businss activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial statements after consideration of the following:

(i) The Company recognises that losses will be incurred during the development of the business and while market access is being developed within the district. Such losses have been more significant following the effects of Tropical Cyclone Yasi in February 2011. The Company has reported a loss after tax of $41,186 (2011: $120,379) for the year ended 30 June 2012. The Company has budgeted for a loss before tax of $82,503 for the 2012/13 year. The directors will continue to review their growth forecast budget and cashflows throughout the 2012/13 year.

(ii) Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the Company and its operations for the 2012/13 financial year and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements.

1. Summary of significant accounting policies (continued)

(c) 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.

(d) 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.

1. Summary of significant accounting policies (continued)

(e) Impairment 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.

(f) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the 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.

(g) 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.

(h) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(i) 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.

(j) Revenue

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

(k) 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.

1. Summary of significant accounting policies (continued)

(l) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the Company's financial statements.

(m) Borrowings

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

(n) Provisions

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

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

(o) 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.

(p) Comparative figures

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

(q) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The Company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The Company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

1. Summary of significant accounting policies (continued)

(r) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the Company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $
Note 2. Revenue		
Revenue from continuing activities		
- services commissions	336,056	245,554
- other revenue	-	-
	336,056	**245,554**
Other revenue		
- interest received	465	2,259
- other revenue	-	-
	465	**2,259**
	336,521	**247,813**

	2012 $	2011 $

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	198,463	177,023
- superannuation costs	17,387	15,799
- workers' compensation costs	968	578
- other costs	8,859	25,718
	225,677	**219,118**
Depreciation of non-current assets:		
- plant and equipment	8,540	8,027
- leasehold improvements	2,945	2,826
Amortisation of non-current assets:		
- intangible assets	2,000	2,000
	13,485	**12,853**
Finance Costs:		
- Interest paid	2,202	84
Bad debts	272	389

4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on loss before income tax at 30%	(12,356)	(50,349)
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(9,677)	2,897
Current income tax benefit	**(22,033)**	**(47,452)**
Income tax benefit	**(22,033)**	**(47,452)**
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.	**(218,682)**	**(196,649)**

5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	3,900	3,900
- Taxation services	1,000	-
	4,900	**3,900**

	2012 $	2011 $

6. Cash and cash equivalents

Cash at bank and on hand / (bank overdraft)	**(105,128)**	**(48,485)**

The company has an overdraft facility of $250,000 which is subject to standard terms and conditions.

7. Receivables

Trade debtors	16,822	28,075
	16,822	**28,075**

8. Other current assets

Prepayments	5,321	-
	5,321	**-**

9. Property, plant and equipment

Leasehold improvements		
At cost	117,757	117,757
Less accumulated depreciation	(10,483)	(7,538)
	107,274	**110,219**
Plant and equipment		
At cost	78,045	74,339
Less accumulated depreciation	(29,635)	(21,095)
	48,410	**53,244**
Total written down amount	**155,684**	**163,463**

	2012 $	2011 $

9. Property, plant and equipment (contiuned)

Movements in carrying amounts

	2012 $	2011 $
Leasehold improvements		
Carrying amount at beginning of year	110,219	113,045
Additions	-	-
Disposals	-	-
Depreciation expense	**(2,945)**	**(2,826)**
Carrying amount at end of year	**107,274**	**110,219**
Plant and equipment		
Carrying amount at beginning of year	53,244	61,271
Additions	3,706	-
Disposals	-	-
Depreciation expense	(8,540)	(8,027)
Carrying amount at end of year	**48,410**	**53,244**

10. Intangible assets

	2012 $	2011 $
Franchise fee		
At cost	10,000	10,000
Less accumulated amortisation	8,000	6,000
	2,000	**4,000**

11. Payables

	2012 $	2011 $
Trade creditors	5,394	9,715
Credit card	183	267
Other creditors and accruals	17,613	13,777
	23,190	**23,759**

12. Provisions

	2012 $	2011 $
Employee benefits	**5,978**	**14,544**
Movement in employee benefits		
Opening balance	14,544	3,227
Additional provisions recognised	15,266	13,617
Amounts utilised during the year	(23,832)	(2,300)
Closing balance	**5,978**	**14,544**

Notes to the financial statements (continued)

	2012 $	2011 $

13. Share capital

	2012 $	2011 $
875,000 Ordinary Shares fully paid of $1 each	875,000	875,000
Share issue costs	(18,296)	(18,296)
	856,704	**856,704**

14. Retained earnings / (accumulated losses)

	2012 $	2011 $
Balance at the beginning of the financial year	(551,305)	(430,926)
Profit/(loss) after income tax	(41,186)	(120,379)
Dividends	-	-
Balance at the end of the financial year	**(592,491)**	**(551,305)**

15. Statement of cash flows

	2012 $	2011 $
(a) Cash and cash equivalents		
Cash assets	**(105,128)**	**(48,485)**
(b) Reconciliation of profit / (loss) after tax to net cash provided from/(used in) operating activities		
Profit / (loss) after income tax	(41,186)	(120,379)
Non cash items		
- Depreciation	11,485	10,853
- Amortisation	2,000	2,000
Changes in assets and liabilities		
- (Increase) decrease in deferred income tax asset	(22,033)	(47,452)
- (Increase) decrease in receivables	11,253	(9,560)
- (Increase) decrease in prepayments	(5,321)	-
- Increase (decrease) in payables	(569)	(4,742)
- Increase (decrease) in provisions	(8,566)	11,317
Net cashflows from/(used in) operating activities	**(52,937)**	**(157,963)**

Note 16. Director and related party disclosures

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

Patrick Bernard Biddlecombe

Debbie Lee Brittain

Rhonda Catherine Murdoch (resigned 27 October 2011)

Tracey Lehua Chamlin (resigned 27 October 2011)

Lynda Mae Hannah

Richard Thomas Brant

Brigitte Yelds (resigned 27 October 2011)

Karen Maquire

Anthony Trevor Lee

Helen Louise Vasta

Christopher Rodney Norton

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

Directors' shareholding	**2012**	**2011**
Patrick Bernard Biddlecombe	26,000	26,000
Debbie Lee Brittain	1,000	1,000
Rhonda Catherine Murdoch (resigned 27 October 2011)	1,500	5,000
Tracey Lehua Chamlin (resigned 27 October 2011)	5,000	1,500
Lynda Mae Hannah	6,000	1,500
Richard Thomas Brant	500	500
Brigitte Yelds (resigned 27 October 2011)	1,500	4,000
Karen Maquire	4,000	1,000
Anthony Trevor Lee	2,000	6,000
Helen Louise Vasta	-	-
Christopher Rodney Norton	-	-

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 17. Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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.

18. Contingent liabilities and assets

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

19. Operating segments

The Company operates in the financial services sector where it provides banking services to its clients. The Company operates in one geographic area being Mission Beach, Queensland. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

20. 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

21. Dividends paid or provided for on ordinary shares

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

	2012 $	2011 $

Note 22. 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:

	2012 $	2011 $
Profit/(loss) after income tax expense	**(41,186)**	**(120,379)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**875,000**	**875,000**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Receivables	7	16,822	28,075
Total financial assets		**16,822**	**28,075**
Financial liabilities			
Bank Overdraft	6	105,128	48,485
Payables	11	23,190	23,759
Total financial liabilities		**128,318**	**72,244**

Financial risk management policies

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.

Specific Financial Risk Exposure and Management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the Company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

Note 23. Financial risk management (continued)

(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.

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	
	2012	**2011**
	$	**$**
Bank overdraft	(105,128)	(48,485)
Receivables	16,822	28,075
	(88,306)	**(20,410)**

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 Limited.

None of the assets of the Company are past due (2011: 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 Limited.

(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.

Note 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(23,190)	(23,190)	-	-
Bank Overdraft	(105,128)	(105,128)	-	-
Total expected outflows	**(128,318)**	**(128,318)**	**-**	**-**
Financial assets - cashflow realisable				
Receivables	16,822	16,822	-	-
Total anticipated inflows	**16,822**	**16,822**	**-**	**-**
Net (outflow)/inflow on financial instruments	**(111,496)**	**(111,496)**	**-**	**-**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(23,759)	(23,759)	-	-
Bank Overdraft	(48,485)	(48,485)	-	-
Total expected outflows	**(72,244)**	**(72,244)**	**-**	**-**
Financial assets - cashflow realisable				
Receivables	28,075	28,075	-	-
Total anticipated inflows	**28,075**	**28,075**	**-**	**-**
Net (outflow)/inflow on financial instruments	**(44,169)**	**(44,169)**	**-**	**-**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

Note 23. 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 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	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	-	-
	-	**-**
Floating rate instruments		
Financial assets	-	-
Financial liabilities	(105,128)	(48,485)
	(105,128)	**(48,485)**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The Company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

Notes to the financial statements (continued)

Note 23. Financial risk management (continued)

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 2012 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, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 15 to 30 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Lynda Mae Hannah
Chairperson

Signed in Mission Beach, Queensland on 20 September 2012.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Mission Beach Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that 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 Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Mission Beach Community Enterprises 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 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with the International Financial Reporting Standards as disclosed in Note 1(a).

Emphasis of Matter

Without qualification to the audit opinion expressed above, attention is drawn to the following matter. Note 1(b) "Going Concern' in the financial statements indicates the company recorded a loss after tax of $41,186 (2011: loss of $120,379). The directors have prepared a budget for the 2012/13 year which indicates a budgeted loss before tax of $82,503 will be recorded.

The directors have received a financial facility to assist with working capital requirements for the next twelve months. Without this financial facility there is significant uncertainty whether Mission Beach Community Enterprises Limited will continue as a going concern.

These conditions indicate the existence of a material uncertainty which may cast doubt about the Company's ability to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W J Sinnott

W. J. SINNOTT
Partner

Dated at Bendigo, 20th September 2012

Franchisee: Mission Beach Community Enterprises Limited
35 Reid Road, Wongaling Beach QLD 4852
ABN: 15 129 575 560

Share Registry:
ShareData Pty Ltd
PO Box 298
St Agnes South Australia 5097
www.sharedata.com.au

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Shop 5, 34-40 Dickinson Street, Mission Beach QLD 4852
Phone: (07) 4068 8700

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(KKQAR12013) (09/12)

Bendigo Bank