Annual Report 2016

Mission Beach Community Enterprises Limited

ABN 15 129 575 560

Mission Beach **Community Bank**® Branch

Contents

Chairperson's report

For year ending 30 June 2016

As I reflect back over the 2015/16 financial year for our **Community Bank**® branch, I do so with a great deal of pride.

Our **Community Bank**® branch, has seen significant growth in this financial year with footings increasing from $54.050 million to $67.743 million. Our customer numbers have increased, and our products per customer have also increased. We are getting closer to achieving a dividend to our customers, once our enterprise has been in profit for 12 months.

We have proudly partnered with Mission Beach Community Groups to return over $150,000 to our community since the branch's inception in 2008. This funding comes from the Marketing Development Fund provided by our Franchisor, Bendigo and Adelaide Bank specifically to enlarge our brand within the local community.

A number of great initiatives have been undertaken this year. One highlight is the Defibrillator project which will soon see a Defibrillator placed in the Woolworths Shopping Centre. Our Marketing Committee has worked hard to produce the Shareholder's Privilege Card which is a great initiative to reward shareholders and to promote local businesses. Branch staff, as well, our Directors and staff have also contributed countless thousand volunteer hours within our community.

Our Board of volunteer Directors have worked diligently and cohesively on Board matters, recognising their Fiduciary Duty as Directors. The Board's primary focus and commitment remains towards our valued shareholders, who have maintained their support of our **Community Bank**® branch, and who make the benefits gained by our community possible.

Our **Community Bank**® branch, faced some significant challenges and changes within this past year. We were pleased to welcome a new and very experienced Branch Manager, Kerryn Thompson in November 2015, and we are very pleased with the branch team she is developing. Our branch team also are highly committed to not just providing excellent and indeed award winning customer service, but to volunteering and supporting our community.

Declining interest rates and the competitive nature of banking bring about their own challenges, and our branch team has risen to the challenge. We have seen some outstanding results achieved, and we are grateful to Kerryn and the branch team for their commitment.

Mission Beach is a strong, vibrant community which has benefited significantly from having a **Community Bank**® branch, in our town. With the Mission Beach community and tourism in general experiencing an upswing, our future looks bright.

My thanks go to everyone who contributes to the success of our **Community Bank**® branch, our shareholders, our Board, our branch team, and of course, especially our customers. Thank you all.

Jennifer Downs
Chair

Manager’s report

For year ending 30 June 2016

Looking back over my first seven months with Mission Beach **Community Bank**® Branch, it’s been a whirlwind of events, and tremendous growth. I would like to acknowledge our partners who include Rural Bank and the Business Banking team and also Loren Brandle our Financial Planner. Mission Beach is very fortunate to have this wealth of experience and knowledge available which is invaluable for both business and personal customers.

Mission Beach **Community Bank**® Branch has had a successful year with our growth in the 2015/16 financial year our overall footings have grown by $13.6 million. I would like to acknowledge Evelyn Swarbrick the former Manager for her fantastic efforts towards this result. We are working very hard at our growing our business, and as a full service bank we continue to have much to offer the Mission Beach community.

I have really enjoyed getting to know my team. We have two new team members Maureen Blennerhassett and Kerrie-Anne Casey. We said goodbye to Angela Jackson and Lauren Haimes. Both of whom made contributions to this financial year.

Maureen and Kerrie have hit the ground running with enthusiasm and energy. They have undergone extensive training both in branch, online and in the classroom.

Judith Giddings as our senior staff member, has been instrumental in helping with the ongoing training for our new staff members. I would like to acknowledge and thank Judith for all her efforts.

The Board has been very important in my transition from former Melbournian to Mission Beach resident, I would like to say thank you to the Board of Directors. The Directors are all volunteers and work tirelessly and enthusiastically so Mission Beach has a full service bank in their community. I especially would like to acknowledge Jen Downs for her contribution in helping me with a crash lesson, in everything Mission Beach/ Cassowary Coast. Everyone who knows Jen would know how lucky I am to have her experience and thoughtful support.

I have been truly inspired by the Mission Beach community. I love their passion and commitment to their community. It’s been very rewarding to be a part of the community events. The Banana Festival, Ona Mission, Mission Beach Game Fishing, the Sailing Club, and Mission Arts, to name a few. It’s wonderful that we have been able to contribute to the success of these events and community organisations. This has been made possible by the Marketing Development Fund, which is a Bendigo and Adelaide Bank incentive.

We had a fantastic result with the defibrillator campaign where we partnered with Tully Mission Beach Ambulance Committee. This has been a huge benefit for our community, the Woolworths Centre now has a Defibrillator which can save lives.

I am very excited about the next financial year, looking for more growth so we can in turn contribute more back into the community and acknowledge our patient shareholders with a dividend as we move into profitability. I will continue to connect with the community to continue spreading the word that we are Australia’s most-connected bank. We have a fantastic suite of financial products and services. Here at Mission Beach **Community Bank**® Branch would love to help you achieve you goals and a secure financial future.

Kerryn Thompson
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2016

It's been 18 years since Bendigo Bank and two rural communities announced they were joining forces to open **Community Bank**® branches.

The initial aim was to return traditional bank branches to regional communities.

It was soon obvious that the 'community' aspect of this unique banking model was going to be just as important to all types of communities; whether they are rural, regional or urban.

Today, there are 312 **Community Bank**® communities in every state and territory of Australia.

The statistics are impressive:

- More than $148 million in community contributions returned to local communities
- 1,900 Directors
- 1,500 staff
- More than $38 million in shareholder dividends.

Yes, these figures are staggering.

But dig a little deeper and what's more significant is that social issues affecting every community in Australia have received funding from **Community Bank**® companies.

- Aged care
- Domestic and family violence
- Environment
- Youth disengagement
- Mental health
- Homelessness
- Unemployment

I have no doubt that your **Community Bank**® company has already had a role to play, either in a funding grant, sponsorship support or connecting locals with relevant government, corporate and not-for-profit organisations.

Behind every **Community Bank**® branch is a company Board of Directors. These people are local mums and dads, tradespeople, small business operators, farmers, lawyers, accountants, school teachers, office workers… and the list goes on.

As **Community Bank**® company Directors they volunteer their time, their professional expertise and their local knowledge to make your **Community Bank**® branch the success it is today.

To every single one of our 1,900-plus **Community Bank**® company Directors, thank you for your commitment, your confidence in Bendigo and Adelaide Bank and your vision to make your community a better place to live.

As a **Community Bank**® community, you're all change makers.

As a shareholder, you're critical to helping make things happen for the benefit of your community.

On behalf of Bendigo Bank, thank you.

Thank you for your support as a shareholder, your belief in your community and your faith in what a **Community Bank**® community can achieve.

Robert Musgrove
Executive Community Engagement

Treasurer’s report

For year ending 30 June 2016

From our financial results for the year ended 30 June 2016, you will note our company has achieved an operating profit for the first time since it’s commencement of operations. This operating profit of $2,593 was offset by a one off charge of $14,146 associated with the government’s reduction in company taxation rates which resulted in a reported net loss of $11,553.

On the positive side of this result our business continued to grow with footings improving beyond expectations by $13.6 million or 25.3% over the year. Against this the declining yields received meant our average monthly revenue of $40,148 in 2015/16 only represented an 11.8% increase in revenue.

You may also note our operating expenses excluding donations and sponsorships has increased by 6.7% to $465,597 for the year. Most notably the costs associated with employment were increased as a result of changeover in the staffing of our business.

Our company’s 2015/16 results show that the trend of strong revenue growth and cost control has continued and as shown in the table below has moved us past the point of operating profitability.

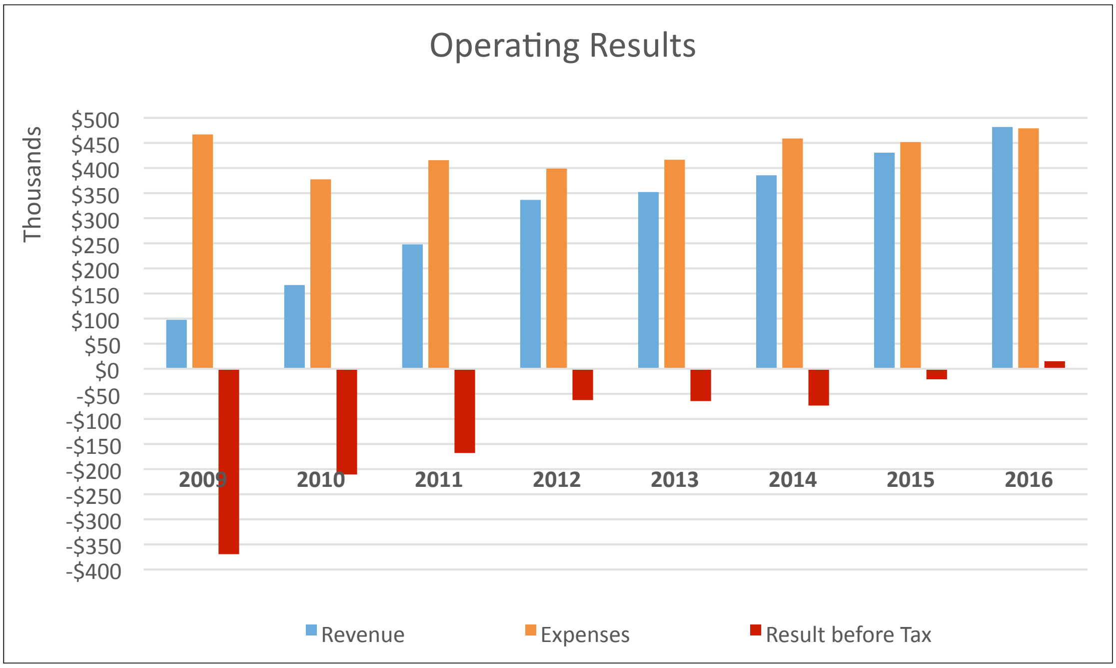

Table 1

Treasurer’s report (continued)

To highlight this trend of growth in our business against our monthly incomes Table 2 plots our company’s footings growth and increase in monthly income.

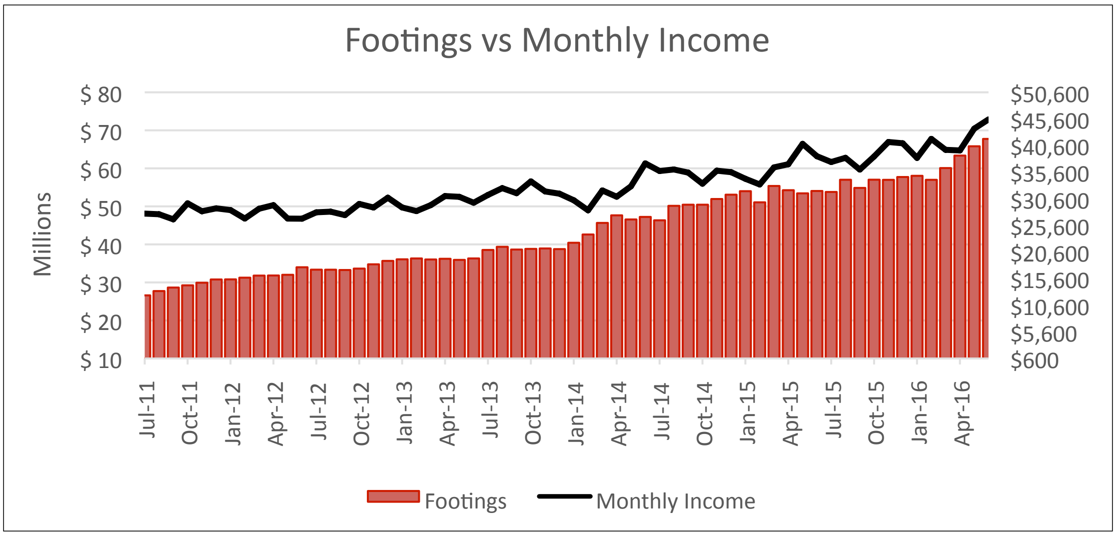

Table 2

Last year we identified several financial challenges for our company in 2015/16. The first being able to sustain growth. With this challenge I believe we have more than met this challenge by achieving a 25% growth in footings. While I believe it is not reasonable to expect growth at this rate indefinitely our Board remains committed to putting it as one of our main priorities focusing not only on ‘new clients’ but also taking up opportunities of increased service and product offerings within our now considerable client base.

On the challenge of declining yields within the banking industry, we have had limited success. Increased fees from financial products and services to our clients has only partially offset the decline in traditional margin products which make up the majority of our business. With expectations that the current ‘low- interest’ environment is to remain for several years we continue to look for opportunities with our banking partner to diversify our income streams.

The new remuneration model presented by Bendigo as part of it’s Project Horizon review and mention as a challenge last year has yet to be implemented by our Board and is the subject of ongoing analysis. The adoption of this will be an outstanding matter for consideration by the Board in 2016/17.

In summary I believe that although one could say the bottom financial results were not remarkable, the factors which occurred during 2015/16 were. Our company grew significantly, we put in place a new team at our branch and offset the ongoing drag on our earnings caused by continued yield declines. Our company’s positive trends should continue with hard work in 2016/17 so that we again achieve an operating profit on a grander scale.

Christopher Norton FCA M.Com B.Bus
Treasurer

Marketing report

For year ending 30 June 2016

A Marketing Committee consisting mainly of three of our Directors, Tania Steele (Chair of Marketing), Jake Robertson, and Paul Connell meet regularly with Branch Manager Kerryn Thompson to discuss ideas and initiatives to market our **Community Bank**® branch.

In this financial year, $10,000 from the Marketing Development Fund, has been used to partner with a number of local community groups and their events this year, in an effort to increase our brand, our customer base and show our local community we are the bank that cares and who gets involved. We place a very high importance on continuing to educate the community that the more you bank with us, the more funds we are able to give back to our community, especially once our **Community Bank**® branch reaches full profitability.

The Banana Festival, which is a fundraiser for the Primary School, is our biggest annual event and one which we were again proud to support this year. In an effort to encourage school-age children (and their parents) to open up an account with us, we ran a promotion on the day in conjunction with Reeds Better Home Living. One lucky new account holder will win a free Samsung Galaxy Tablet and every child, a $10 donation to start off the account.

The Defibrillator project instigated by our Branch Manager, has also been a huge success, and is now installed in the Woolworths Shopping Centre. Training has also been provided to local businesses and our branch staff in the use of resuscitation and the Defibrillator.

Our Shareholder's Privilege Card is the most significant project we have worked on this year, and will provide a benefit to shareholders, as well as continuing to promote local business.

A total of 12 community groups were supported this year both financially, and with volunteer hours by our Directors and our branch team. The continued partnership with their wider networks is invaluable in continuing to grow our business.

Sincerely,

Tania Steele
Chair of Marketing

Directors' report

For the financial year ended 30 June 2016

The Directors present their report of the company for the financial year ended 30 June 2016.

Directors

The following persons were Directors of Mission Beach Community Enterprises Limited during or since the end of the financial year up to the date of this report:

Jennifer Ann Downs, Chairperson

Experience, expertise and Directorships

Jennifer has been a Training and Development Specialist for over 30 years, originally in the motor industry in both Brisbane and Townsville and has post-graduate qualifications in Human Resource Management. She has a strong sense of community having completed a four year term as a Councillor with the Cassowary Coast Regional Council in April 2012. With her husband Lex, Jennifer moved to Wongaling Beach in 2003 and has provided many training and mentoring programs locally, particularly to business women. She was the founding President of the Business Women's Network in 2004. Jennifer is also active in coast care projects.

Christopher Norton, Treasurer

Experience, expertise and Directorships

Chris is a Chartered Accountant with over 20 years public accounting experience in Australia and England. Chris has a good understanding of the challenges that face many industries and works with his clients to develop strategies and solutions which take their business where they want it to go. Arriving in El Arish in 1990, Chris has also been involved in local retailing, sugar cane farming and several community organisations. Chris specialises in tax and business consulting to primary producers, small and medium size enterprises.

Amanda Wiltshire, Company Secretary

Experience, expertise and Directorships

As a Solicitor, Property Manager, Small Business Owner and daughter of a well-known local family, Amanda brings a wealth of local experience to the Board. Amanda was born in Melbourne and grew up in Mission Beach attending the Mission Beach State School, Tully High School and James Cook University in Townsville, completing a Bachelor of Law. Amanda was employed by Vandeleur's Solicitors in Innisfail becoming fully qualified in 1995 and was also Director of a corporation involved in Banana, Cane and Cattle farming whilst raising her three children on the farming property in Tully. Amanda and her siblings own and operate the Helen Wiltshire Gallery in Mission Beach and she also provides office administrative support to her father's Real Estate business.

Tania Steele

Experience, expertise and Directorships

Tania is a Real Estate Agent and has been intimately involved in the property industry in North Queensland for over 10 years. Starting her real estate sales career in Mission Beach with First National back in 2006, she made the move in 2011 to join a new, progressive and personalised real estate company Tropical Property in which she holds a high profile position in today's market. Prior to joining the real estate market, Tania was involved in the tourism industry and climbed the corporate ladder to regional manager overseeing a number of high profile resort groups for a large corporate company whilst managing on-site with her husband Chris, large strata titled building complexes from the Gold Coast to Palm Cove. Tania and her husband were also small business owners here in Mission Beach, owning one of the local Restaurants back in 2004.

Directors (continued)

Paul Connell (appointed 27 August 2015)

Experience, expertise and Directorships

Paul is the Chief Financial Officer for MacKay's Bananas. Paul worked for 14 years with the National Bank, working in every position from Teller through to Commercial Client Manager. During this time he completed his Bachelor of Commerce (accounting) degree with USQ. He then worked as Financial Controller/CFO/General Manager-Finance with varied corporate entities in Brisbane and Melbourne. During this time he qualified as a CPA. After years in and around the rate race of the big cities he has moved to Mission Beach and currently is the CFO for MacKay's Farming Group in Tully. He has since completed his MBA. With all the experience and training behind him, Paul believes he can be a strong advocate for the Mission Beach **Community Bank**® Branch and bring experience from customer interaction, financial and a management perspective.

Anthony Trevor Lee

Experience, expertise and Directorships

Tony is a Solicitor and Mediator in Mission Beach. He graduated in Law from Monash University in 1971, settling in Townsville in North Queensland in 1973 where he, his wife Rosemary, and another Monash graduate established the firm of Lee Turnbull & Co. In 1984 Tony and Rosemary opened Lee & Co Solicitors at Mission Beach. Tony is also involved in a number of community organisations such as the Local Marine Advisory Committee (LMAC), Mission Beach Seabed Watch Inc. and the Coast Guard, and is the only original Director from the very beginning in 2008.

Jake Robertson (appointed 30 July 2015)

Experience, expertise and Directorships

Jake is a Solicitor. He was raised in El Arish and is the fourth generation descendent of Cassowary Coast Pioneer and Great War veteran Fred King. Jake was schooled locally in El Arish and Innisfail, before moving to Brisbane to complete his education at the University of Queensland. After graduation with degrees in Law and Commerce, Jake returned to Far North Queensland to begin his career as a solicitor in Cairns, specialising in property law including conveyancing, leasing, wills and estates. In 2012 Jake and his wife Louise, started their own legal practice in Mission Beach, JK Robertson Property Law. Together they have two children, William and Henry and are passionately involved in the community that they have both grown up in.

Cosimo Tedesco (Resigned 12 November 2015)

Experience, expertise and Directorships

Cosimo is a retired business owner wit a background in maintenance in various organisations ins Australia, specialising in welding and drafting. He started his own business as a steel fabricator in 1974 and expanded across the region.

Michelle Dore (resigned 12 November 2015)

Experience, expertise and Directorships

Michelle opened her own salon at 22 years of age; has experience with both Stefan and Headmaster Franchises in England and Australia; is family focussed and committed to community growth. She operates her own salon at present.

Edwin Ludke (resigned 31 January 2016)

Experience, expertise and Directorships

Edwin (Ted) is a Business Manager of 20 years and currently Wholesale Distributor of Nutritional Supplements. He has experienced a variety of previous ventures including Farming, Tour Operator, Real Estate Agent and Property Developer.

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

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

Directors' meetings

Attendances by each Director during the year were as follows:

Director	Board meetings	
	A	B
Jennifer Ann Downs	12	12
Christopher Rodney Norton	12	12
Amanda Pym Wiltshire	12	11
Tania Michelle Steele	12	11
Paul Andrew Connell (appointed 27/8/15)	11	9
Anthony Trevor Lee	12	11
Jake Robertson (appointed 30/7/15)	11	8
Cosimo Tedesco (resigned 12/11/15)	5	3
Michelle Dore (resigned 12/11/15)	5	2
Edwin Ludke (resigned 31/1/16)	7	0

A - The number of meetings eligible to attend.
B - The number of meetings attended.

Company Secretary

Anthony Trevor Lee was appointed Company Secretary of Mission Beach Community Enterprises Limited in November 2014 and retired from this role in November 2015. Anthony is a solicitor and mediator. Anthony was a founding member of the steering committee, founding Mission Beach Community Enterprises Limited, and Chairperson for three years. He is a founding Director of Mission Beach Harbour Pty Ltd since 1993.

Amanda Pym Wiltshire is the current Company Secretary of Mission Beach Community Enterprises Limited and was appointed on 12 November 2015. Amanda is a Solicitor and completed her Bachelor of Laws degree in 1995.

Principal activities

The principal activities of the company during the course of the financial year were in providing **Community Bank®** branch 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.

Review of operations

The Loss for the company for the financial year after providing for income tax was $11,553 (2015: $15,759 loss), which is a 26% decrease as compared with the previous year. Income tax expense for the 2015/16 year was $14,146, meaning the operating profit before income tax was $2,593.

Dividends

No dividends were paid or declared during the financial year.

Options

No options over issued shares were granted during or since the end of the financial year and there were no options outstanding as at the date of this report.

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Directors’ report (continued)

Events subsequent to the end of the reporting period

No matters or circumstances have arisen since the end of the financial year that significantly affect or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company, in future financial years.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation.

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.

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.

Auditor independence declaration

A copy of the Auditor’s independence declaration as required under section 307C of the Corporations Act 2001 is set out at page 12 of this financial report. No Officer of the company is or has been a partner of the Auditor of the company.

Signed in accordance with a resolution of the Board of Directors at Mission Beach on 21 September 2016

Jennifer Downs
Chairperson

Auditor's independence declaration

Richmond
Sinnott &
Delahunty

Chartered Accountants

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Auditor's Independence Declaration under section 307C of the *Corporations Act 2001* to the Directors of Mission Beach Community Enterprises Limited.

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there has been no contraventions of:

(i) the Auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 23 September 2016

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016 $	2015 $
Revenue	2	481,781	430,602
Expenses			
Employee benefits expense	3	(272,566)	(247,108)
Depreciation and amortisation	3	(25,777)	(25,649)
Administration and general costs		(81,870)	(84,759)
Occupancy expenses		(50,031)	(46,895)
IT costs		(17,708)	(17,740)
Finance costs	3	(7,131)	(4,329)
Bad and doubtful debts expense	3	(1,627)	(544)
Other expenses		(8,887)	(9,131)
Operating profit / (loss) before charitable donations and sponsorships		**16,184**	**(5,554)**
Charitable donations and sponsorships		(13,591)	(15,450)
Profit / (loss) before income tax		**2,593**	**(21,004)**
Income tax expense / (benefit)	4	14,146	(5,244)
Profit/(loss) for the year		**(11,553)**	**(15,760)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(11,553)**	**(15,760)**
Profit / (loss) attributable to members of the company		(11,553)	(15,760)
Total comprehensive income attributable to members of the company		**(11,553)**	**(15,760)**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share		(1.32)	(1.80)

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2016

	Notes	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	5	7,501	7,249
Trade and other receivables	6	23,768	30,441
Other assets	7	6,534	2,148
Total current assets		**37,803**	**39,838**
Non-current assets			
Plant and equipment	8	117,369	129,404
Intangible assets	9	27,486	41,228
Deferred tax assets	4	253,987	268,133
Total non-current assets		**398,841**	**438,765**
Total assets		**436,644**	**478,603**
Liabilities			
Current liabilities			
Trade and other payables	10	45,148	64,166
Borrowings	11	247,312	257,610
Provisions	12	747	1,837
Total current liabilities		**293,207**	**323,613**
Total liabilities		**293,207**	**323,613**
Net assets		**143,437**	**154,990**
Equity			
Issued capital	13	856,704	856,704
Accumulated losses	14	(713,267)	(701,714)
Total equity		**143,437**	**154,990**

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2016

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2014		856,704	(685,954)	170,750
Profit / (loss) for the year		-	(15,760)	(15,760)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(15,760)**	**(15,760)**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	-	-
Balance at 30 June 2015		**856,704**	**(701,714)**	**154,990**
Balance at 1 July 2015		856,704	(701,714)	154,990
Profit / (loss) for the year		-	(11,553)	(11,553)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(11,553)**	**(11,553)**
Transactions with owners, in their capacity as owners				
Dividends paid or provided	23	-	-	-
Balance at 30 June 2016		**856,704**	**(713,267)**	**143,437**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
for the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from customers		488,271	427,765
Payments to suppliers and employees		(470,773)	(442,146)
Interest paid		(7,131)	(4,329)
Interest received		183	272
Net cash provided by / (used in) operating activities	**15b**	**10,550**	**(18,438)**
Cash flows from investing activities			
Purchase of property, plant and equipment		-	(2,041)
Net cash flows from / (used in) investing activities		**-**	**(2,041)**
Net increase / (decrease) in cash held		**10,550**	**(20,479)**
Cash and cash equivalents at beginning of financial year		(250,361)	(229,882)
Cash and cash equivalents at end of financial year	**15a**	**(239,811)**	**(250,361)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2016

These financial statements and notes represent those of Mission Beach Community Enterprises Limited.

Mission Beach Community Enterprises Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 21 September 2016.

Note 1. Summary of significant accounting policies

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards. 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, except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, were applicable, by the measurement at fair value of selected non current assets, financial assets and financial liabilities.

<u>Economic dependency</u>

The company has entered into a franchise agreement with Bendigo and Adelaide Bank Limited that governs the management of the **Community Bank**® branch at Mission Beach.

The branch operates as a franchise of Bendigo and Adelaide Bank Limited, using the name "Bendigo Bank", the logo, and systems of operation of Bendigo and Adelaide Bank Limited. The company manages the **Community Bank**® branch on behalf of Bendigo and Adelaide Bank Limited, however all transactions with customers conducted through the **Community Bank**® branch are effectively conducted between the customers and Bendigo and Adelaide Bank Limited.

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

"Bendigo and Adelaide Bank Limited provides significant assistance in establishing and maintaining the **Community Bank**® branch franchise operations. It also continues to provide ongoing management and operational support, and other assistance and guidance in relation to all aspects of the franchise operation, including advice in relation to:

- Advice and assistance in relation to the design, layout and fit out of the **Community Bank**® branch;
- Training for the Branch Managers and other employees in banking, management systems and interface protocol;
- Methods and procedures for the sale of products and provision of services;
- Security and cash logistic controls;
- Calculation of company revenue and payment of many operating and administrative expenses;

Note 1. Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Economic dependency (continued)

- The formulation and implementation of advertising and promotional programs; and
- Sale techniques and proper customer relations.

Going Concern

The net assets of the company as at 30 June 2016 were $143,437 (2015: $154,990) and the loss made for the year was $11,553 (2015: 15,759 loss), bringing accumulated losses to $713,267. The operating surplus for the year before tax was $2,593.

The company meets its day to day working capital requirements through an overdraft facility that has an approved limit of $350,000. It was drawn to $247,312 as at 30 June 2016 (2015: $257,610).

Included in net assets as detailed at Note 1 (b) is a Deferred Tax Asset of $253,987 (2015: $268,133) on the basis of it being probable that future profits will allow the utilisation of this asset.

The budget outlook for 2016-17 reflects an operating surplus. The Directors will continue to review their growth forecast budget and cash flows throughout the 2016-17 year to ensure continued cash availability is preserved.

Bendigo and Adelaide Bank Limited has confirmed that it will continue to support the company and its operations for the 2016-17 financial year, and beyond through the provision of an overdraft facility on normal commercial terms and conditions to assist with working capital requirements. The support is provided on the basis that the company continues to fulfil its obligations under the franchise agreement and continues to work closely with Bendigo and Adelaide Bank Limited to further develop its business.

Based on the above, and after making additional enquiries, 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.

(b) Income tax

The income tax expense / (income) for the year comprises current income tax expense / (income) and deferred tax expense / (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities/ (assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred income tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

(c) Fair value of assets and liabilities

The company may measure some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Note 1. Summary of significant accounting policies (continued)

(c) Fair value of assets and liabilities (continued)

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair value of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

(d) Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised in profit or loss. A formal assessment of recoverable amount is made when impairment indicators are present.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

<u>Depreciation</u>

The depreciable amount of all plant and equipment is depreciated over the asset's useful life to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable asset are:

Class of asset	Rate	Method
Leasehold improvements	2.5%	SL
Plant and equipment	4-25%	SL

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Note 1. Summary of significant accounting policies (continued)

(d) Plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset - but not the legal ownership - are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

(f) Impairment of assets

At the end of each reporting period, the company assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less cost to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

(g) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(h) Employee benefits

<u>Short-term employee benefits</u>

Provision is made for the company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

Note 1. Summary of significant accounting policies (continued)

(h) Employee benefits (continued)

Short-term employee benefits (continued)

The liability for annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables.

Other long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any remeasurement for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

The company's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the company does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(i) Intangible assets

Establishment costs and franchise fees have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation charges for intangible assets are included under depreciation and amortisation in the Statement of Profit or Loss and Other Comprehensive Income.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

(k) Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

Interest revenue is recognised on a time proportional basis that taken into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Investments and other financial assets

(i) Classification

The company classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables,
- held to maturity investments, and
- available for sale assets.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(i) Classification (continued)

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term with the intention of making a profit. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The company has not designated any financial assets at fair value through profit or loss.

Loans and receivables

This category is the most relevant to the company. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the period end, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.

Held to maturity investments

The group classifies investments as held-to-maturity if:

- they are non-derivative financial assets
- they are quoted in an active market
- they have fixed or determinable payments and fixed maturities
- the group intends to, and is able to, hold them to maturity.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

Available for sale financial asset

Investments are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(ii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(ii) Measurement (continued)

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value are recognised as follows:

- for 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security are recognised in profit or loss and other changes in the carrying amount are recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Amortised cost is calculated as the amount at 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.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discount estimated future cash payments or receipts over the expected life (or where this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in the profit or loss.

(iii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available for sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Note 1. Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

(iii) Impairment (continued)

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(iv) Derecognition

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, less any provision for doubtful debts. Trade and other receivables are due for settlement usually no more than 30 days from the date of recognition.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts, which are known to be uncollectable, are written off. A provision for doubtful debts is established when ther eis objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the assets carrying amount and the present value of estimated cash flows, discounted at the effective interest rate. The amount of the provision is recognised on profit or loss.

(n) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measures at amortised cost. Any diference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings as classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(p) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Note 1. Summary of significant accounting policies (continued)

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(r) Dividends

Provision is made for the amount of any dividends declared being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year, but not distributed at balance date.

(s) New and amended accounting policies adopted by the company

There are no new and amended accounting policies that have been adopted by the company this financial year.

(t) Comparative figures

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to owners of the company, excluding any costs of servcing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjsuted for bonus elements in ordinary shares issues during the year.

(v) New accounting standards for application in future periods

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018).

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on:

(i) the objective of the entity's business model for managing the financial assets; and

(ii) the characteristics of the contractual cash flows.

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(i) AASB 9 Financial Instruments and associated Amending Standards (applicable for annual reporting periods beginning on or after 1 January 2018). (continued)

b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)
- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities"

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements.

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

When this standard is first adopted for the year ending 30 June 2019, there will be no material impact on the transactions and balances recognised in the financial statements.

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with customers;
- identify the performance obligations in the contract(s);
- determine the transaction price;

Note 1. Summary of significant accounting policies (continued)

(v) New accounting standards for application in future periods (continued)

(ii) AASB 15: Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2018). (continued)

- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied."

In May 2015, the AASB issued ED 260 Income of Not-forProfit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15. The ED was open for comment until 14 August 2015 and the AASB is currently in the process of redeliberating its proposals with the aim of releasing the final amendments in late 2016.

This Standard will require retrospective restatement, as well as enhanced disclosure regarding revenue.

When this Standard is first adopted for the year ending 30 June 2019, it is not expected that there will be a material impact on the transactions and balances recognised in the financial statements.

(iii) AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

(w) 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:

<u>Estimation of useful lives of assets</u>

The company determines the estimated useful lives and related depreciation and amortisation charges 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.

<u>Fair value assessment of non-current physical assets</u>

The AASB 13 Fair Value standard requires fair value assessments that may involved both complex and significant judgement and experts. The value of land and buildings may be materially misstated and potential classification and disclosure risks may occur.

Note 1. Summary of significant accounting policies (continued)

(w) Critical accounting estimates and judgements (continued)

Employee benefits provision

Assumptions are required for wage growth and CPI movements. The likelihood of employees reaching unconditional service is estimated. The timing of when employee benefit obligations are to be settled is also estimated.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

Impairment

The company assesses impairment at the end of each reporting period by evaluating 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.

	2016 $	**2015 $**

Note 2. Revenue

Revenue		
- services commissions	481,598	430,330
	481,598	**430,330**
Other revenue		
- interest received	183	272
	183	**272**
Total revenue	**481,781**	**430,602**

Note 3. Expenses

Profit before income tax inculdes the following specific expenses:

Employee benefits expense		
- wages and salaries	213,594	207,415
- superannuation costs	19,183	19,670
- other costs	39,788	20,024
	272,566	**247,108**

Notes to the financial statements (continued)

	2016 $	2015 $
Note 3. Expenses (continued)		
Depreciation and amortisation		
Depreciation		
- plant and equipment	9,091	8,962
- leasehold improvements	2,944	2,944
	12,035	**11,906**
Amortisation		
- franchise fees	2,290	2,291
- franchise renewal fees	11,452	11,452
	13,742	**13,743**
Total depreciation and amortisation	**25,777**	**25,649**
Finance costs		
- Interest paid	7,131	4,329
Bad and doubtful debts expenses	1,627	544
Auditors' remuneration		
Remuneration of the Auditor for:		
- Audit or review of the financial report	4,585	4,530
- Taxation services	600	1,200
	5,185	**5,730**

Note 4. Income tax

	2016 $	2015 $
a. The components of tax expense / (income) comprise:		
Current tax expense / (income)	428	(6,301)
Deferred tax expense / (income)	14,146	1,057
Recoupment of prior year tax losses	(428)	-
	14,146	**(5,244)**
b. Prima facie tax payable		
The prima facie tax on profit / (loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 28.5% (2015: 30%)	739	(6,301)

	2016 $	2015 $
Note 4. Income tax (continued)		
Add tax effect of:		
- Non-deductible expenses	-	1,057
- Change in company tax rates	13,407	-
Income tax attributable to the entity	**14,146**	**(5,244)**
The applicable weighted average effective tax rate is	545.52%	24.97%
c. Current tax liability		
Current tax relates to the following:		
Current tax liabilities / (assets)		
Opening balance	-	-
Income tax paid	-	-
Current tax	428	-
Recoupment of prior years tax losses	(428)	
	-	**-**
d. Deferred tax asset / (liability)		
Deferred tax relates to the following:		
Deferred tax assets balance comprises:		
Employee provisions	213	-
Unused tax losses	253,774	268,133
	253,987	**268,133**
Net deferred tax asset / (liability)	**253,987**	**268,133**
e. Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease / (increase) in deferred tax assets	14,146	(5,244)
	14,146	**(5,244)**

Note 5. Cash and cash equivalents

Cash at bank and on hand	7,501	7,249
	7,501	**7,249**

Note 6. Trade and other receivables

Current		
Trade receivables	23,768	30,441
	23,768	**30,441**

Note 6. Trade and other receivables (continued)

Credit risk

The main source of credit risk relates to a concentration of trade receivables owing by Bendigo and Adelaide Bank Limited, which is the source of the majority of the company's income.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled, within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past due but not impaired			
	Gross amount $	**Past due and impaired $**	**< 30 days $**	**31-60 days $**	**> 60 days $**	**Not past due $**
2016						
Trade receivables	23,768	23,768	-	-	-	-
Total	**23,768**	**23,768**	**-**	**-**	**-**	**-**
2015						
Trade receivables	30,441	30,441	-	-	-	-
Total	**30,441**	**30,441**	**-**	**-**	**-**	**-**

	2016 $	**2015 $**
Note 7. Other assets		
Prepayments	6,534	2,148
	6,534	**2,148**
Note 8. Plant and equipment		
Leasehold improvements		
At cost	117,757	117,757
Less accumulated depreciation	(22,259)	(19,315)
	95,499	**98,443**

	2016 $	2015 $
Note 8. Plant and equipment (continued)		
Plant and equipment		
At cost	86,086	86,086
Less accumulated depreciation	(64,216)	(55,125)
	21,870	**30,961**
Total plant and equipment	**117,369**	**129,404**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	98,443	101,386
Depreciation expense	(2,944)	(2,943)
Balance at the end of the reporting period	**95,499**	**98,443**
Plant and equipment		
Balance at the beginning of the reporting period	30,961	37,882
Additions	-	2,041
Depreciation expense	(9,091)	(8,962)
Balance at the end of the reporting period	**21,870**	**30,961**
Total plant and equipment		
Balance at the beginning of the reporting period	129,404	139,268
Additions	-	2,041
Depreciation expense	(12,035)	(11,905)
Balance at the end of the reporting period	**117,369**	**129,404**

Note 9. Intangible assets

	2016 $	2015 $
Franchise fee		
At cost	21,453	21,453
Less accumulated amortisation	(16,871)	(14,581)
	4,582	**6,872**
Franchise renewal fee		
At cost	57,260	57,260
Less accumulated amortisation	(34,356)	(22,904)
	22,904	**34,356**
Total intangible assets	**27,486**	**41,228**

	2016 $	2015 $

Note 9. Intangible assets (continued)

Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	6,872	9,163
Amortisation expense	(2,290)	(2,291)
Balance at the end of the reporting period	**4,582**	**6,872**
Franchise renewal fee		
Balance at the beginning of the reporting period	34,356	45,808
Amortisation expense	(11,452)	(11,452)
Balance at the end of the reporting period	**22,904**	**34,356**
Total intangible assets		
Balance at the beginning of the reporting period	41,228	54,971
Amortisation expense	(13,742)	(13,743)
Balance at the end of the reporting period	**27,486**	**41,228**

Note 10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	5,298	1,526
Other creditors and accruals	39,850	62,640
	45,148	**64,166**

The average credit period on trade and other payables is one month.

Note 11. Borrowings

Current		
Unsecured liabilities		
Bank overdraft	**247,312**	**257,610**

The company has an overdraft facility of $350,000 which is subject to normal commercial terms and conditions.

	2016 $	2015 $

Note 12. Provisions

Current		
Employee benefits	747	1,837
Total provisions	**747**	**1,837**

Note 13. Share capital

875,000 Ordinary shares fully paid	875,000	875,000
Less: Equity raising costs	(18,296)	(18,296)
	856,704	**856,704**
Movements in share capital		
Fully paid ordinary shares:		
At the beginning of the reporting period	875,000	875,000
Shares issued during the year	-	-
At the end of the reporting period	**875,000**	**875,000**

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands. The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 company 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 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

Notes to the financial statements (continued)

	2016 $	2015 $

Note 14. Accumulated losses

	2016 $	2015 $
Balance at the beginning of the reporting period	(701,714)	(685,956)
Profit/(loss) after income tax	(11,553)	(15,758)
Balance at the end of the reporting period	**(713,267)**	**(701,714)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents balances as shown in the Statement of Financial Position can be reconciled to that shown in the Statement of Cash Flows as follows:

	2016 $	2015 $
Cash and cash equivalents (Note 5)	7,501	7,249
Less bank overdraft (Note 11)	(247,312)	(257,610)
As per the Statement of Cash Flow	**(239,811)**	**(250,361)**

(b) Reconciliation of cash flow from operations with profit after income tax

	2016 $	2015 $
Profit / (loss) after income tax	(11,553)	(15,758)
Non-cash flows in profit		
- Depreciation	12,035	11,906
- Amortisation	13,742	13,743
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	6,673	(2,564)
- (increase) / decrease in prepayments and other assets	(4,386)	-
- (Increase) / decrease in deferred tax asset	14,146	(5,244)
- Increase / (decrease) in trade and other payables	(19,018)	(16,901)
- Increase / (decrease) in provisions	(1,090)	(3,619)
Net cash flows from / (used in) operating activities	**10,549**	**(18,437)**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft and commercial bill facility amounting to $350,000 (2015: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2016, $247,312 of this facility was used (2015: $257,610). Variable interest rates apply to these overdraft and bill facilities.

	2016 $	2015 $

Note 16. Earnings per share

	2016 $	2015 $
Basic earnings per share (cents)	(1.32)	(1.80)
Earnings used in calculating basic earnings per share	(11,553)	(15,760)
Weighted average number of ordinary shares used in calculating basic and diluted earnings per share.	875,000	875,000

Note 17. Key management personnel and related party disclosures

(a) Key management personnel

Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any Director (whether executive or otherwise) of that company is considered key management personnel.

No remuneration was paid to key management personnel of the company during the year.

(b) Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties

No key management personnel or related party have entered into any contracts with the company. No Director fees have been paid as the positions are held on a voluntary basis.

The company did not purchase any goods or services from related parties.

Mission Beach Community Enterprises Limited has accepted the Bendigo and Adelaide Bank Limited's **Community Bank**® Directors Privileges package. The package is available to all Directors who can elect to avail themselves of the benefits based on their personal banking with the branch. There is no requirement to own Bendigo and Adelaide Bank Limited shares and there is no qualification period to qualify to utilise the benefits.

The package mirrors the benefits currently available to Bendigo and Adelaide Bank Limited shareholders. The Directors have estimated the total benefits received from the Directors Privilege Package to be $Nil for the year ended 30 June 2016.

(d) Key management personnel shareholdings

The number of ordinary shares in Mission Beach Community Enterprises Limited held by each key management personnel of the company during the financial year is as follows:

	2016	2015
Jennifer Ann Downs	2,000	2,000
Christopher Rodney Norton	1,000	1,000
Amanda Pym Wiltshire	-	-
Tania Michelle Steele	1,000	1,000
Paul Andrew Connell (appointed 27/8/15)	-	na.
Anthony Trevor Lee	3,000	3,000

Note 17. Key management personnel and related party disclosures (continued)

(d) Key management personnel shareholdings (continued)

	2016	2015
Jake Robertson (appointed 30/7/15)	-	na.
Cosimo Tedesco (resigned 12/11/15)	na.	10,000
Michelle Dore (resigned 12/11/15)	na.	500
Edwin Ludke (resigned 31/1/16)	na.	30,000

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

(e) Other key management transactions

There has been no other transactions involving equity instruments other than those described above.

Note 18. Events after the reporting period

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

Note 19. Contingent liabilities and contingent assets

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

Note 20. 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 and Adelaide Bank Limited who account for 100% of the revenue (2015: 100%).

Note 21. Commitments

	2016 $	2015 $
Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.		
Payable:		
- no later than 12 months	41,227	39,491
- between 12 months and five years	45,928	85,005
- greater than five years	-	-
Minimum lease payments	**87,155**	**124,496**

The property lease is a non-cancellable lease with a five year term expiring 21 July 2018, with rent payable monthly in advance and with 5% increases each year on 1 February.

Note 22. Company details

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

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

Note 23. Dividends paid or provided for on ordinary shares

Dividends paid or provided for during the year

No dividends were paid or proposed by the company during the period.

Note 24. Financial risk management

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 a Governance Committee which reports regularly to the Board.

Specific financial risk exposure and management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk and other price risk. There have been no substantial 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.

The company's financial instruments consist mainly of account receivables and payables and bank overdraft. The totals for each category of financial instruments measured in accordance with AASB 139 Financial Instruments: Recognition and Measurement as detailed in the accounting policies are as follows:

	Note	2016 $	2015 $
Financial assets			
Cash and cash equivalents	5	7,501	7,249
Trade and other receivables	6	23,768	30,441
Total financial assets		**31,269**	**37,690**
Financial liabilities			
Trade and other payables	10	45,148	64,166
Bank overdraft	11	247,312	257,610
Total financial liabilities		**292,460**	**321,776**

(a) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the company.

Note 24. Financial risk management (continued)

(a) Credit risk (continued)

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the table above.

The company has significant concentrations of credit risk with Bendigo and Adelaide Bank Limited. The company's exposure to credit risk is limited to Australia by geographic area.

None of the assets of the company are past due (2015: 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 and therefore credit risk is considered minimal.

(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.

In addition the company has established an overdraft facility of $350,000 with Bendigo and Adelaide Bank Limited. The undrawn amount of this facility is $102,688 (2015: $92,390).

The table below reflects an undiscounted contractual maturity analysis for financial liabilities. The Bank overdraft facility is subject to annual review, may be drawn at any time, and may be terminated by the bank without notice. Therefore the balance of the overdraft facility outstanding at year end could become repayable within 12 months.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis:

30 June 2016	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.5%	7,501	7,501	-	-
Trade and other receivables	0%	23,768	23,768	-	-
Total anticipated inflows		**31,269**	**31,269**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	45,148	45,148	-	-
Bank overdraft *	2.9%	247,312	247,312	-	-
Total expected outflows		**292,460**	**292,460**	**-**	**-**
Net inflow / (outflow) on financial instruments		**(261,192)**	**(261,192)**	**-**	**-**

30 June 2015	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	3.8%	7,249	7,249	-	-
Trade and other receivables	0%	30,441	30,441	-	-
Total anticipated inflows		**37,690**	**37,690**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	64,166	64,166	-	-
Bank overdraft *	1.7%	257,610	257,610	-	-
Total expected outflows		**321,776**	**321,776**	**-**	**-**
Net inflow / (outflow) on financial instruments		**(284,086)**	**(284,086)**	**-**	**-**

* The Bank overdraft has no set repayment period and as such all has been included as current.

(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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments.

Note 24. Financial risk management (continued)

(c) Market risk (continued)

The financial instruments that primarily expose the company to interest rate risk are cash and cash equivalents and Bank overdraft.

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit $	Equity $
Year ended 30 June 2016		
+/- 1% in interest rates (interest income)	75	75
+/- 1% in interest rates (interest expense)	(2,473)	(2,473)
	(2,398)	**(2,398)**
Year ended 30 June 2015		
+/- 1% in interest rates (interest income)	72	72
+/- 1% in interest rates (interest expense)	(2,576)	(2,576)
	(2,504)	**(2,504)**

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

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

Fair value estimation

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position.

Differences between fair values and the carrying amounts of financial instruments with fixed interest rates are due to the change in discount rates being applied to the market since their initial recognition by the company.

Note 24. Financial risk management (continued)

(d) Price risk (continued)

Fair values (continued)

	2016		2015	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	7,501	7,501	7,249	7,249
Trade and other receivables (i)	23,768	23,768	32,589	32,589
Total financial assets	**31,269**	**31,269**	**39,838**	**39,838**
Financial liabilities				
Trade and other payables (i)	45,148	45,148	64,166	64,166
Bank overdraft	247,312	247,312	257,610	257,610
Total financial liabilities	**292,460**	**292,460**	**321,777**	**321,777**

(i) Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term instruments in nature whose carrying amounts are equivalent to their fair values.

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, as set out on pages 13 to 42 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 2016 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.

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

Jennifer Downs
Chairperson

Signed at Mission Beach on 21 September 2016.

Independent audit report

Richmond Sinnott & Delahunty
Chartered Accountants

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INDEPENDENT AUDITOR'S 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 2016, the statement of profit or loss and other 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 at the year's end.

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, 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 about 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mission Beach Community Enterprises Limited, would be in the same terms if provided to the directors as at the time of this auditor's report.

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 2016 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the company incurred a net loss of $11,553 during the year ended 30 June 2016, further reducing the company's net assets to $143,437. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt over the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business. Among the assets of the company are deferred tax assets of $253,987. The company believes it is probable that profits will arise in future years to allow this asset to be realised.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 23 September 2016

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