Annual Report 2017

Mission Beach Community Enterprises Limited

ABN 15 129 575 560

Mission Beach **Community Bank**® Branch

Contents

Chairman's report

For year ending 30 June 2017

Lunch break at Dunk Island during Rescue Boat duties at Mission Beach Sailing Club Regatta. (Photo by Jen Downs)

I have resumed my role as Chairman having taken over from our prior Chair Jen Downs who did such a magnificent job for the financial year 2015/16 through to our Planning Day in January 2017.

My gratitude extends further to Jen who with her excellent Logistic and HR skills assisted our Board in our annual Planning Day on 28 January 2017 in coming up with goals that we have in fact realised this financial year as set out below. I would like recorded my sincere thanks to Jen for her continued involvement with and support of our Board and her offer to contribute to future Planning Days as we move more forward.

Our branch, with the continued concerted effort of both our branch team and volunteer Board of Directors, has continued to grow our business to the extent that I am pleased to advise that this year we are in a position to pay a dividend to our shareholders for the first time since our incorporation in 2008. This indeed was our principal goal this year.

A 2% dividend payment is modest indeed, but it very conservatively calculated so as not to take up all of our profit. We continue to operate in uncertain economic times, and we feel our responsibility to our shareholders and banking customers alike remains paramount to ensure the growing financial viability of our company as we move into the future.

On present trends we are confident our profitability will only increase, and thereby of course our contributions to the community and partnerships in community projects will proportionately increase as well.

We are blessed with an energetic and enthusiastic branch team who works very closely with the Board for the betterment of the business, our shareholders and our community.

I am proud to say that I believe our branch has become something of a Community Hub at Mission Beach, and we always have on display in the branch our latest community involvement events with staff ready to engage customers and visitors alike as to the Branch's history and involvement in these events.

We are becoming a first port of call for many people who want more than just banking, and indeed our branch staff in the past 12 months have won a number of awards for product sales in addition to straightforward bank transactions which continue to grow our business steadily.

It is with a degree of regret that I announce that I will be stepping down as at 30 June next financial year as I am retiring from our legal practice here at Mission Beach after 35 years. I can assure our shareholders that your Board has a succession planning regime in place to ensure a seamless changeover to my successor, who will possess the appropriate skills to carry on with the other members of the governance committee and remaining Board members to carry out our vision to grow the business in its role as an essential spoke in, and indeed hub of the wheel of the Mission Beach community.

I have thoroughly enjoyed my involvement with Mission Beach Community Enterprises Limited over the many years I have been a Director since its inception in 2008, and I am confident that our future remains bright and positive.

Tony Lee
Chairman

Manager's report

For year ending 30 June 2017

As I reflect back over the past 12 months it has been a very satisfying year.

It's been a steady year with lending of $5.5 million for the financial year. Overall growth has been just under $2 million. Our lending book also experienced sales of properties which have caused some run off. It's very pleasing that we can now declare a profit and all the hard work from Directors and staff, past and present, who are all part of this long awaited moment.

I would like to acknowledge once again our Bendigo and Adelaide Bank partners which include Rural Bank and the Business Banking team and also Loren Brandle our Financial Planner. It's great having these fantastic specialists to call on and also to refer our valued customers to.

Our branch has had a stable period staff wise. I would also like to acknowledge our staff members Judith Giddings, Maureen Blennerhassett and Kerrie-Anne Casey who have been great in supporting their Manager. I have enjoyed watching the team, and also individual progress of our staff and we received some recognition for our teamwork when we were awarded 'Community Involvement Team of the Year Award' by our Regional Manager. The branch team and also the Directors have worked tirelessly again supporting the community events with not only grants but also their time attending the fantastic events in our community.

We were major sponsors of the Rotary Trivia Night and we were also a part of the Inaugural Cassowary Festival. Of course our ongoing support of the Mission Beach Primary and the Banana Festival, Ona Mission and also the Mission Beach Film festival just to name a few.

Mission Beach **Community Bank**® Branch has been able to secure some local referrers for our business which is very pleasing. I am looking forward to continuing and also building on this relationship in next financial year. I have worked for Bendigo and Adelaide Bank for over 20 years we have had lots of changes in that time, however this year stands out for me with some fantastic changes that really benefit our customers.

We can confidently offer a full range of banking services including lending, insurance, telco facilities, financial planning, business, commercial and rural banking. We not only have a team of friendly and helpful staff within the Mission Beach **Community Bank**® Branch, but also have access to specialists who can come down via appointment to ensure your needs are met.

I look forward to the next financial year and I am excited about our wonderful community and also our wonderful **Community Bank**® company. I will continue spreading the word that we are 'Australia's most connected bank'.

Kerryn Thompson
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2017

As we approach 20 years since the first **Community Bank®** branch opened its doors, it's timely to reflect on the role of our network's 70,000-strong shareholders and its army of nearly 2,000 passionate local Directors.

As a group of people you are a powerful force that continues to influence change both locally and nationally.

United for a shared purpose in your communities, you are making big things happen beyond the delivery of great banking products and services; you're creating jobs, helping businesses to thrive, solving problems and achieving outcomes that will make your communities better places to live and do business.

Amongst other things, you are providing hundreds of thousands of people in communities around Australia with new opportunities to:

- Play sport in new **Community Bank®** funded centres.
- Continue their education thanks to a **Community Bank®** scholarship.
- Seek treatment in hospitals closer to home with equipment funded through a **Community Bank®** grant.
- Reap the environmental benefits of **Community Bank®** funded solar panels and LED lighting, and
- Access mental health services for teenage children with a service supported by a local **Community Bank®** branch.

In fact, since the model's inception your investment in local communities exceeds $165 million and that figure continues to grow every year. This amount excludes the significant co-investment on key projects that many companies have obtained from Government and other parties.

Nationally our voices are increasingly being heard, and our collaborative approach recognised and celebrated.

Representing us all at a recent forum at Canberra's Parliament House, Bendigo Bank's Managing Director and Chairman reinforced the significance of the **Community Bank®** model's achievements and called for regulatory change that would help us compete in a crowded and ever-evolving banking sector. Just two months later, the Federal Government announced a levy on Australia's biggest banks that is set to re-level the playing field as we've regularly advocated for.

But for us this is more than a levy. The Turnbull Government's announcement recognises the importance of customers having access to a robust, competitive and customer-focused banking sector. On this note Bendigo Bank was recently recognised as the banking provider of choice in the annual Mozo People's Choice Awards. Better yet, out of 110 banking providers nationally, we were the only bank recognised in all eight banking categories – and were rated the leading bank in six of those eight categories.

This is an extraordinary achievement for you and our bank. Not only does it demonstrate that, in the eyes of our customers, we are doing something right – it very clearly outlines that together we can continue to achieve results.

As we've long known, the more successful our customers are, the stronger our communities become. In this regard the **Community Bank®** model enables these outcomes for customers and communities, as increasingly recognised by more and more Australians.

So thank you for your investment in your local **Community Bank®** company, for your ongoing contribution and support, tireless advocacy and continued commitment to building strong local communities. Without this, our **Community Bank®** branches would be just another bank.

Robert Musgrove
Executive Engagement Innovation

Treasurer's report

For year ending 30 June 2017

From our financial results for the year ended 30 June 2017 you will note our company has achieved a net profit for the first time since its commencement of operations. The net profit reported was $20,029. This was offset by a one-off charge of $20,003 associated with the government's reduction in company taxation rates. The operating (pre-tax) profit was $40,032 which is a marked improvement on the 2015/16 financial year.

With our company finally achieving our long-awaited goal of net profitability it has allowed the Directors to announce the welcoming news of a dividend to be paid to shareholders of 0.02c per share.

Growth of the business has decreased. It was identified last year that we did not suspect our prior year's footings growth of 25% was sustainable. Current years footings growth was 2.6%. It's been a financially challenging year for the Mission Beach region, so to continue to see footings growth is indeed positive.

Our average monthly revenue for 2016/17 of $42,576 represented a 6% increase in revenue for the year. This combined with a decrease in our operating expenses as has ensured that we were able to post a net profit for this financial year.

Our company's 2016/17 results show that the trend revenue growth and cost control has continued and as shown in the table below has now moved us past the point of net profitability.

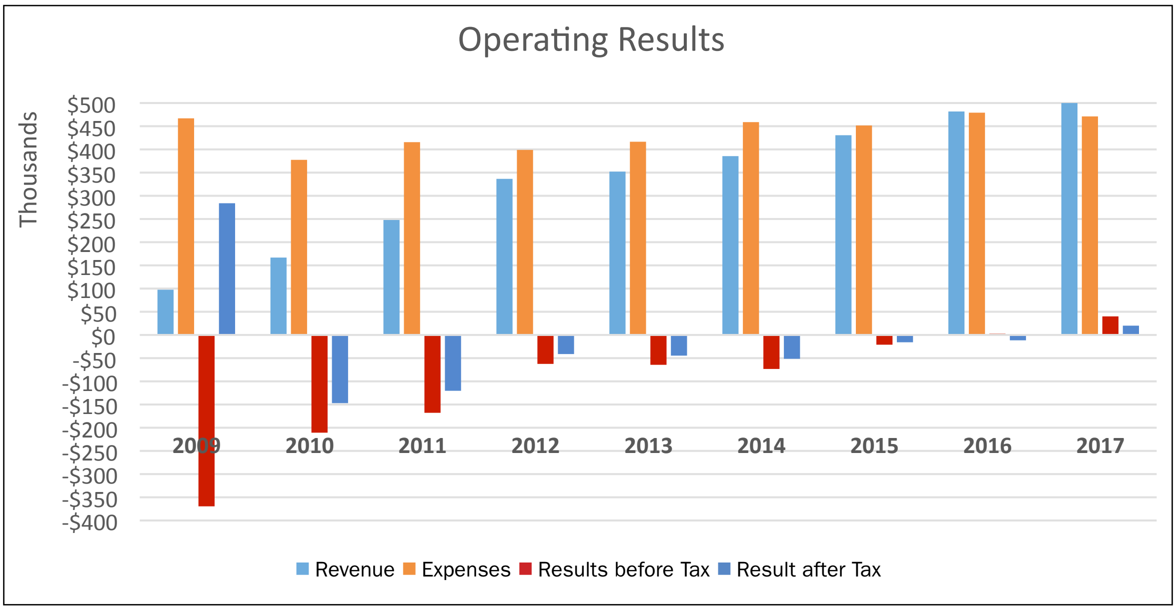

Table 1

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.

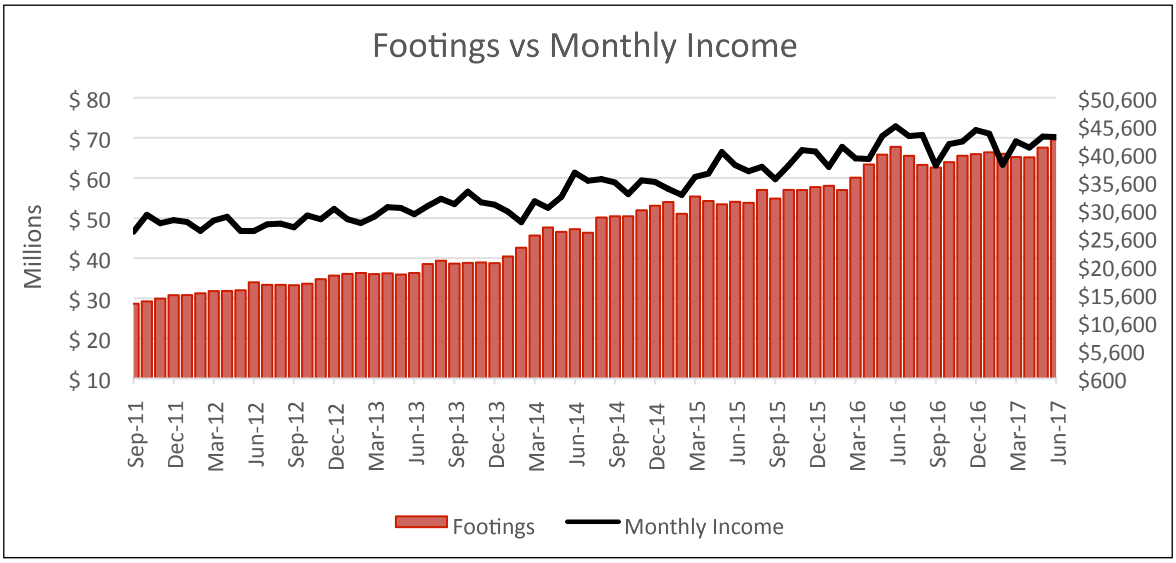

Table 2

The Board has identified that growth will continue to be an ongoing challenge in the current economic climate. We remain committed to putting increased growth as one of our main priorities and anticipate that our footings will continue to steadily grow in the coming financial year with our focus being not only on 'new clients' but also on taking up the opportunities to increase service and product offerings within our current customer base.

Declining yield within the banking industry is another challenge which will remain ongoing for our business. It is expected 'low-interest' environment we are currently experiencing is set to continue for the next several years. In saying that, I feel our business is in a position where we can 'ride this out'. Our posted figures and current budgets show that our business has reached the turning point and will continue to thrive and provide positive bottom line results.

The new remuneration model presented by Bendigo Bank as part of its Project Horizon review which was mentioned as a challenge last year has now been implemented by our Board. After careful consideration at many of our meetings and analysis of the old v new remuneration models, the Board sought to adopt this model as it would prove more profitable for our business in the future.

In summary, it is extremely pleasing to see our business reach the milestone of net profitability and be able to provide to our shareholders a long-awaited dividend. Although our net profit was a modest one, with ongoing hard work from our committed branch team and Board, our positive footings growth and subsequent revenue growth should continue over the 2016/17 financial year so that we will again reach net profitability on a much larger scale.

Kelly Cavallaro B.Com MIPA J.P (Qual)
Treasurer

Directors' report

For the financial year ended 30 June 2017

The Directors present their report of the company for the financial year ended 30 June 2017.

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 (resigned 28 January 2017)

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 Rodney Norton

Treasurer (resigned 10 November 2016)

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 Pym 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 Michelle Steele

(resigned 10 November 2016)

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 Andrew Connell

(resigned 27 April 2017)

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

Chairperson (from 28 January 2017)

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

(resigned 28 January 2017)

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, and are passionately involved in the community that they have both grown up in.

Kelly Cavallaro

(appointed 28 July 2016)

Experience, expertise and Directorships: Accountant and Director of KLP Taxation Pty Ltd. Kelly is a member of the Institute of Public Accountants with over 15 years' experience in both public practice and corporate accounting roles. Originally growing up in Stawell in country Victoria, Kelly relocated to the Sunshine coast where she began her career in an accounting practice. She studied her Bachelor's Degree externally through the University of Southern Queensland. During her career Kelly spent some time in Mount Isa where she met her husband, and then relocated to Mission Beach to start a family and her own practice KLP Taxation. Kelly has successfully ran her own practice for the past 11 years and is well known in the Mission Beach area. She is actively involved in many community groups including the Mission Beach Girls Guides and also the Mission Beach Junior Australian Football Club. Kelly brings a wealth of knowledge to the Board in the field of Accounting and Finance and is looking forward to the challenges and rewards her term on the Board will bring.

Directors (continued)

Jay Whittem

(appointed 28 July 2016)

Experience, expertise and Directorships: Senior Physiotherapist for Cassowary Area Community Health. Jay grew up in Mission Beach before studying Physiotherapy at UQ, Brisbane. Following living and travelling in various countries and continents around the globe he has resettled in Mission Beach with his partner and two young children. He has been involved in various community and sporting organisations to date, such as judging Youth of the Year, as well coaching/umpiring young sailors. Working in a multidisciplinary team and possessing the ability to establish and maintain networks makes Jay a positive and contributing Board member. With a strong interest in improving health outcomes so as to enable residents to engage in our community, Jay brings an open view and a youthful perspective to the Board.

Leah Mangano

(appointed 27 July 2017)

Experience, expertise and Directorships: Solicitor and Principal Director of Ross Mangano Solicitors Pty Ltd. Leah grew up in Mission Beach and attended local schools before attending University where she obtained her Bachelor of Laws and later, her Master of Laws. Leah, together with her father Ross Mangano, enjoy a busy local law firm servicing the Cassowary Coast and beyond. Leah is involved in several local not for profit organisations, including her role as an ongoing member of the Tigers Leagues Club Board Committee, also the secretary of the Tully Tennis Club and previously the Vice-President of the Cassowary Coast Business Womens' Network. Leah's professional skills, together with her keen interest to see our local area to thrive and be enjoyed by those who both live in and visit the region, make her an asset to the Board. Leah and her husband Stephen live on their cane farm in Tully.

Regan Sedgman

(appointed 28 July 2016, resigned 25 September 2017)

Experience, expertise and Directorships: Director Sedgman Electrical Pty Ltd

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:

	Board meetings	
Director	**A**	**B**
Jennifer Ann Downs, Chairperson (resigned 28 January 2017)	6	5
Christopher Rodney Norton, Treasurer (resigned 10 November 2016)	4	3
Amanda Pym Wiltshire, Company Secretary	11	10
Tania Michelle Steele (resigned 10 November 2016)	4	3
Paul Andrew Connell (resigned 27 April 2017)	9	6
Anthony Trevor Lee, Chairperson (from 28 January 2017)	11	10
Jake Robertson (resigned 28 January 2017)	6	2
Kelly Cavallaro (appointed 28 July 2016)	11	10
Jay Whittem (appointed 28 July 2016)	11	6
Regan Sedgman (appointed 28 July 2016, resigned 25 September 2017)	11	7
Leah Mangano (appointed 27 July 2017)	-	-

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

Company Secretary

Amanda Wiltshire has been the Company Secretary of Mission Beach Community Enterprises Limited since 12 November 2015.

Amanda is a Solicitor and completed her Bachelor of Law 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 change in the nature of these activities during the year.

Review of operations

The profit of the company for the financial year after provision for income tax was $20,029 (2016 loss: $11,553). The Directors are confident the company has now moved into a position of sustainable profits and positive cash flows.

Dividends

No dividends were paid or declared since the start of 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.

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.

Directors' report (continued)

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 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 27 September 2017.

Tony Lee
Director

Auditor's independence declaration

rsd Audit

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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 2017 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.

RSD Audit
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 29 September 2017

Richmond Sinnott & Delahunty, trading as RSD Audit
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017 $	2016 $
Revenue	2	511,193	481,781
Expenses			
Employee benefits expense	3	(274,300)	(272,566)
Depreciation and amortisation	3	(21,903)	(25,777)
Finance costs	3	(9,002)	(7,131)
Bad and doubtful debts expense	3	(340)	(1,627)
Administration and general costs		(77,655)	(81,870)
Occupancy expenses		(51,495)	(50,031)
IT expenses		(16,669)	(17,708)
Other expenses		(9,792)	(8,887)
		(461,156)	**(465,597)**
Operating profit before charitable donations and sponsorships		**50,037**	**16,184**
Charitable donations and sponsorships		(10,005)	(13,591)
Profit before income tax		**40,032**	**2,593**
Income tax expense	4	(20,003)	(14,146)
Profit / (loss) for the year		**20,029**	**(11,553)**
Other comprehensive income		-	-
Total comprehensive income for the year		**20,029**	**(11,553)**
Profit / (loss) attributable to members of the company		20,029	(11,553)
Total comprehensive income attributable to members of the company		**20,029**	**(11,553)**

Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company (cents per share):			
- basic earnings per share	17	2.29	(1.32)

These financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position
as at 30 June 2017

	Notes	2017 $	2016 $
Assets			
Current assets			
Cash and cash equivalents	5	7,744	7,501
Trade and other receivables	6	19,674	23,768
Other assets	7	4,415	6,534
Total current assets		**31,833**	**37,803**
Non-current assets			
Property, plant and equipment	8	110,171	117,368
Intangible assets	9	13,745	27,486
Deferred tax assets	4	233,984	253,987
Total non-current assets		**357,900**	**398,841**
Total assets		**389,733**	**436,644**
Liabilities			
Current liabilities			
Trade and other payables	11	38,037	45,148
Borrowings	12	185,873	247,312
Provisions	13	2,357	747
Total current liabilities		**226,267**	**293,207**
Total liabilities		**226,267**	**293,207**
Net assets		**163,466**	**143,437**
Equity			
Issued capital	14	856,704	856,704
Accumulated losses	15	(693,238)	(713,267)
Total equity		**163,466**	**143,437**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2017

	Note	Issued capital $	Accumulated losses $	Total equity $
Balance at 1 July 2015		**856,704**	**(701,714)**	**154,990**
Loss for the year		-	(11,553)	(11,553)
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**(11,553)**	**(11,553)**
Balance at 30 June 2016		**856,704**	**(713,267)**	**143,437**
Balance at 1 July 2016		**856,704**	**(713,267)**	**143,437**
Profit for the year		-	20,029	20,029
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		**-**	**20,029**	**20,029**
Balance at 30 June 2017		**856,704**	**(693,238)**	**163,466**

These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the year ended 30 June 2017

	Notes	2017 $	2016 $
Cash flows from operating activities			
Receipts from customers		566,089	488,271
Payments to suppliers and employees		(478,723)	(454,769)
Interest paid		(9,002)	(7,131)
Interest received		287	183
Net cash provided by operating activities	**18b**	**78,651**	**26,554**
Cash flows from investing activities			
Payments for purchase of property, plant and equipment		(965)	-
Payments for purchase of intangible assets		(16,004)	(16,004)
Net cash flows used in investing activities		**(16,969)**	**(16,004)**
Net increase in cash held		**61,682**	**10,550**
Cash and cash equivalents at beginning of financial year		(239,811)	(250,361)
Cash and cash equivalents at end of financial year	**18a**	**(178,129)**	**(239,811)**

These financial statements should be read in conjunction with the accompanying notes.

Notes to the financial statements

For year ended 30 June 2017

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 27 September 2017.

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

Note 1. Summary of significant accounting policies (continued)

(b) 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.

(c) 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.

(d) 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.

(e) Comparative figures

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

(f) 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.

<u>Employee benefits provision</u>

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.

Note 1. Summary of significant accounting policies (continued)

(f) Critical accounting estimates and judgements (continued)

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.

(g) 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 are set out 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.

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.

Note 1. Summary of significant accounting policies (continued)

(g) 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)

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

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.

Note 1. Summary of significant accounting policies (continued)

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

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

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.

Note 2. Revenue

Revenue arises from the rendering of services through its franchise agreement with the Bendigo and Adelaide Bank Limited. The revenue recognised is measured by reference to the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts.

The entity applies the revenue recognition criteria set out below to each separately identifiable sales transaction in order to reflect the substance of the transaction.

Rendering of services

The entity generates service commissions on a range of products issued by the Bendigo and Adelaide Bank Limited. The revenue includes upfront and trailing commissions, sales fees and margin fees.

Interest income

Interest income is recognised on an accrual basis using the effective interest rate method.

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

	2017 $	2016 $
Revenue		
- service commissions	510,906	481,598
	510,906	**481,598**
Other revenue		
- interest received	287	183
	287	**183**
Total revenue	**511,193**	**481,781**

Note 3. Expenses

Operating expenses

Operating expenses are recognised in profit or loss on an accruals basis, which is typically upon utilisation of the service or at the date upon which the entity becomes liable.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs.

Note 3. Expenses (continued)

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised leased assets, 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

	2017 $	2016 $
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
- wages and salaries	203,183	213,594
- superannuation costs	20,456	19,183
- other costs	50,661	39,789
	274,300	**272,566**
Depreciation and amortisation		
Depreciation		
- plant and equipment	5,218	9,091
- leasehold improvements	2,944	2,944
	8,162	**12,035**
Amortisation		
- franchise fees	2,289	2,290
- franchise renewal fees	11,452	11,452
	13,741	**13,742**
Total depreciation and amortisation	**21,903**	**25,777**
Auditors' remuneration		
Remuneration of the Auditor, Richmond, Sinnott & Delahunty, for:		
- Audit or review of the financial report	4,600	4,585
- Taxation services	600	600
	5,200	**5,185**
Finance costs		
- Interest paid	9,002	7,131
Bad and doubtful debts expenses	**340**	**1,627**

Note 4. Income tax

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

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities are measured at the amounts expected to be paid to 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.

	2017 $	2016 $
a. The components of tax expense comprise:		
Current tax expense	13,383	428
Deferred tax expense	20,003	14,146
Recoupment of prior year tax losses	(13,383)	(428)
	20,003	**14,146**
b. Prima facie tax payable		
The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 27.5% (2016: 28.5%)	11,009	739
Add tax effect of:		
- change in tax rates	8,911	13,407
- Non-deductible expenses	83	-
Income tax attributable to the entity	**20,003**	**14,146**
The applicable weighted average effective tax rate is	49.97%	545.55%
c. Current tax liability		
Current tax relates to the following:		
Current tax liability		
Opening balance	-	-
Current tax	13,383	428
Recoupment of prior years tax losses	(13,383)	(428)
	-	**-**

	2017 $	2016 $

Note 4. Income tax (continued)

	2017 $	2016 $
d. Deferred tax asset		
Deferred tax relate to the following:		
Deferred tax asset balance comprises:		
Accruals	1,849	-
Employee provisions	648	213
Unused tax losses	231,487	253,774
Net deferred tax asset	**233,984**	**253,987**
e. Deferred income tax included in income tax expense comprises:		
Decrease in deferred tax assets	20,003	14,146
	20,003	**14,146**

Note 5. 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.

	2017 $	2016 $
Cash at bank and on hand	7,744	7,501
	7,744	**7,501**

Note 6. 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 there is 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.

	2017 $	2016 $
Current		
Trade receivables	19,674	23,768
	19,674	**23,768**

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.

	Gross amount $	Not past due $	Past due but not impaired			Past due and impaired $
			< 30 days $	31-60 days $	> 60 days $	
2017						
Trade receivables	19,674	19,674	-	-	-	-
Total	**19,674**	**19,674**	**-**	**-**	**-**	**-**
2016						
Trade receivables	23,768	23,768	-	-	-	-
Total	**23,768**	**23,768**	**-**	**-**	**-**	**-**

Note 7. Other assets

Other assets represent items that will provide the entity with future economic benefits controlled by the entity as a result of past transactions or other past events.

	2017 $	2016 $
Prepayments	4,415	6,534
	4,415	**6,534**

Note 8. Plant and equipment

Leasehold improvements

At cost	117,757	117,757
Less accumulated depreciation	(25,203)	(22,259)
	92,554	**95,498**

	2017 $	2016 $
Note 8. Plant and equipment (continued)		
Plant and equipment		
At cost	87,051	86,086
Less accumulated depreciation	(69,434)	(64,216)
	17,617	**21,870**
Total plant and equipment	**110,171**	**117,368**
Movements in carrying amounts		
Leasehold improvements		
Balance at the beginning of the reporting period	95,498	98,442
Depreciation expense	(2,944)	(2,944)
Balance at the end of the reporting period	**92,554**	**95,498**
Plant and equipment		
Balance at the beginning of the reporting period	21,870	30,961
Additions	965	-
Depreciation expense	(5,218)	(9,091)
Balance at the end of the reporting period	**17,617**	**21,870**
Total plant and equipment		
Balance at the beginning of the reporting period	117,368	129,403
Additions	965	-
Depreciation expense	(8,162)	(12,035)
Balance at the end of the reporting period	**110,171**	**117,368**

Note 9. Intangible assets

Franchise fees and franchise renewal 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.

	2017 $	2016 $
Franchise fee		
At cost	21,453	21,453
Less accumulated amortisation	(19,160)	(16,871)
	2,293	**4,582**

	2017 $	2016 $

Note 9. Intangible assets (continued)

	2017 $	2016 $
Franchise renewal fee		
At cost	57,260	57,260
Less accumulated amortisation	(45,808)	(34,356)
	11,452	**22,904**
Total intangible assets	**13,745**	**27,486**
Movements in carrying amounts		
Franchise fee		
Balance at the beginning of the reporting period	4,582	6,872
Amortisation expense	(2,289)	(2,290)
Balance at the end of the reporting period	**2,293**	**4,582**
Franchise renewal fee		
Balance at the beginning of the reporting period	22,904	34,356
Amortisation expense	(11,452)	(11,452)
Balance at the end of the reporting period	**11,452**	**22,904**
Total intangible assets		
Balance at the beginning of the reporting period	27,486	41,228
Amortisation expense	(13,741)	(13,742)
Balance at the end of the reporting period	**13,745**	**27,486**

Note 10. Financial assets and financial liabilities

Financial assets

Classification of financial assets

The company classifies its financial assets as loans and receivables.

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.

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.

Measurement of financial assets

At initial recognition, the group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Note 10. Financial assets and financial liabilities (continued)

Financial assets (continued)

Measurement of financial assets (continued)

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.

Impairment of financial assets

The company 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.

- 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.

Derecognition of financial assets

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.

Financial liabilities

Classification of financial liabilities

Financial liabilities include trade payables, other creditors, loans from third parties and loans from or other amounts due to related entities. Financial liabilities are 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.

Note 10. Financial assets and financial liabilities (continued)

Financial liabilities (continued)

Measurement and derecognition of financial liabilities

Financial liabilities are initially measured at fair value plus transaction costs, except where the instrument is classified as "fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 11. 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.

	2017 $	2016 $
Current		
Unsecured liabilities:		
Trade creditors	2,052	5,298
Other creditors and accruals	35,985	39,850
	38,037	**45,148**

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

Note 12. Borrowings

Current		
Unsecured liabilities		
Bank overdraft	185,873	247,312
	185,873	**247,312**

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

Note 13. Provisions

Short-term employee benefits

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.

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

Note 13. Provisions (continued)

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.

	2017 $	2016 $
Current		
Employee benefits	2,357	747
Total provisions	**2,357**	**747**

Note 14. Share capital

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.

	2017 $	2016 $
875,000 Ordinary shares fully paid	875,000	875,000
Less: Equity raising costs	(18,296)	(18,296)
	856,704	**856,704**

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.

	2017 $	2016 $
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**

Note 14. Share capital (continued)

Capital management

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

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the 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.

Note 15. Accumulated losses

	2017 $	2016 $
Balance at the beginning of the reporting period	(713,267)	(701,714)
Profit/(loss) after income tax	20,029	(11,553)
Balance at the end of the reporting period	**(693,238)**	**(713,267)**

Note 16. Dividends paid or provided for on ordinary shares

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

Note 17. 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 servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

	2017 $	2016 $
Note 17. Earnings per share (continued)		
Basic earnings per share (cents)	2.29	(1.32)
Earnings used in calculating basic earnings per share	20,029	(11,553)
Weighted average number of ordinary shares used in calculating basic earnings per share.	875,000	875,000

Note 18. 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:

	2017 $	2016 $
Cash and cash equivalents (Note 5)	7,744	7,501
Less bank overdraft (Note 12)	(185,873)	(247,312)
As per the Statement of Cash Flow	**(178,129)**	**(239,811)**
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit / (loss) after income tax	20,029	(11,553)
Non-cash flows in profit		
- Depreciation	8,162	12,035
- Amortisation	13,741	13,742
Changes in assets and liabilities		
- (Increase) / decrease in trade and other receivables	4,094	6,673
- (increase) / decrease in prepayments and other assets	2,119	(4,386)
- (Increase) / decrease in deferred tax asset	20,003	14,146
- Increase / (decrease) in trade and other payables	8,893	(3,013)
- Increase / (decrease) in provisions	1,610	(1,090)
Net cash flows from / (used in) operating activities	**78,651**	**26,554**

(c) Credit standby arrangement and loan facilities

The company has a bank overdraft facility amounting to $350,000 (2016: $350,000). This may be terminated at any time at the option of the bank. At 30 June 2017, $185,873 of this facility was used (2016: $247,312). Variable interest rates apply to this facility.

Note 19. 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.

Note 19. Key management personnel and related party disclosures (continued)

(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

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

During the year, the company purchased goods and services under normal terms and conditions, from related parties as follows:

Name of related party	Description of goods/services	Value $
Peter Thompson	Invoice for servicing of bank vehicle.	120

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 2017.

(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:

	2017	2016
Jennifer Ann Downs, Chairperson (resigned 28 January 2017)	2,000	2,000
Christopher Rodney Norton, Treasurer (resigned 10 November 2016)	1,000	1,000
Amanda Pym Wiltshire, Company Secretary	-	-
Tania Michelle Steele (resigned 10 November 2016)	1,000	1,000
Paul Andrew Connell (resigned 27 April 2017)	-	-
Anthony Trevor Lee, Chairperson (from 28 January 2017)	3,000	3,000
Jake Robertson (resigned 28 January 2017)	-	-
Kelly Cavallaro (appointed 28 July 2016)	-	-
Jay Whittem (appointed 28 July 2016)	-	-
Leah Mangano (appointed 27 July 2017)	-	-
	7,000	**7,000**

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 20. 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 21. Contingent liabilities and contingent assets

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

Note 22. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one 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 (2016: 100%).

Note 23. Commitments

Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the Statement of Financial Position.

	2017 $	**2016 $**
Payable:		
- no later than 12 months	47,207	41,227
- between 12 months and five years	2,832	45,928
- greater than five years	-	-
Minimum lease payments	**50,039**	**87,155**

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 24. Company details

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

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

Note 25. 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.

Note 25. Financial risk management (continued)

Specific financial risk exposure and management (continued)

The company's financial instruments consist mainly of deposits with banks, short term investments, account receivables and payables, bank overdraft and loans. 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	2017 $	2016 $
Financial assets			
Cash and cash equivalents	5	7,744	7,501
Trade and other receivables	6	19,674	23,768
Total financial assets		**27,418**	**31,269**
Financial liabilities			
Trade and other payables	11	38,037	45,148
Bank overdraft	12	185,873	247,312
Total financial liabilities		**223,910**	**292,460**

(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.

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 (2016: 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.

Note 25. Financial risk management (continued)

(b) Liquidity risk (continued)

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 $164,127 (2016: $102,688).

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.

Financial liability and financial asset maturity analysis:

30 June 2017	Weighted average interest rate %	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
Financial assets					
Cash and cash equivalents	2.50%	7,744	7,744	-	-
Trade and other receivables	0%	19,674	19,674	-	-
Total anticipated inflows		**27,418**	**27,418**	**-**	**-**
Financial liabilities					
Trade and other payables	0%	38,037	38,037	-	-
Bank overdraft *	3.74%	185,873	185,873	-	-
Total expected outflows		**223,910**	**223,910**	**-**	**-**
Net inflow / (outflow) on financial instruments		**(196,492)**	**(196,492)**	**-**	**-**

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		**(261,191)**	**(261,191)**	**-**	**-**

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

Note 25. Financial risk management (continued)

(c) Market risk

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

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.

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 2017		
+/- 1% in interest rates (interest income)	77	77
+/- 1% in interest rates (interest expense)	(1,859)	(1,859)
	(1,781)	**(1,781)**
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)**

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.

(e) 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 25. Financial risk management (continued)

(e) Fair values (continued)

Fair value estimation (continued)

	2017		2016	
	Carrying amount $	Fair value $	Carrying amount $	Fair Value $
Financial assets				
Cash and cash equivalents (i)	7,744	7,744	7,501	7,501
Trade and other receivables (i)	19,674	19,674	23,768	23,768
Total financial assets	**27,418**	**27,418**	**31,269**	**31,269**
Financial liabilities				
Trade and other payables (i)	38,037	38,037	45,148	45,148
Bank overdraft	185,873	185,873	247,312	247,312
Total financial liabilities	**223,910**	**223,910**	**292,460**	**292,460**

(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 38 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 2017 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.

Tony Lee
Director

Signed at Mission Beach on 27 September 2017.

Independent audit report

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF MISSION BEACH COMMUNITY ENTERPRISES LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of Mission Beach Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2017, 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, and notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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 2017 and of its performance for the year then ended; and

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

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

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements related to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report.

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

Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Auditor's Responsibility

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

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.
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 entity's preparation of the financial report that gives a true and fair view 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 entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

We obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon. Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon. On connection with our audit of the financial report, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RSD AUDIT
Chartered Accountants

P. P. Delahunty
Partner
Bendigo
Dated: 29 September 2017

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