Paragon Consultants
Chartered Accountants

THE MANDALAY PROJECTS LIMITED

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2010

THE MANDALAY PROJECTS LIMITED ABN 45 137 216 829

Financial Report for the Year Ended 30 June 2010

DIRECTORS' REPORT

Your directors present this report on the entity for the period ended 30 June 2010.

Directors

The names of each person who has been a director during the year and to the date of this report are:

Mr Ian Sherwood Love

Mr David Gibson

Mr Robert John Nash

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of entity secretary at the end of the period:

Mr Ian Sherwood Love - Bachelor of Business, Chartered Accountant. Mr Love was appointed company secretary on 20 May 2009.

Principal Activities

The principal activity of the entity during the financial year was fundraising to enable commencement of charitable works in the Asian region, with a bias towards funding projects in those parts of the region where economic prosperity is least developed.

No significant changes in the nature of the entity's activity occurred during the period.

Operating Results

The profit of the entity for the period amounted to $28,779.

Dividends Paid or Recommended

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

Review of Operations

During the period the Directors of the Company undertook field visits to orphanages in Myanmar and discussed several development type projects at four sites in the Irrawaddy Delta region. The Directors have been in regular communication with partners on the ground in Myanmar and have approved the commencement of several projects.

As at the date of this report no financial commitment had been provided and accordingly the Company had not incurred any expenses. As a result there has been a profit and an increase in net assets of the Company of $28,779.

Significant Changes in State of Affairs

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

After Balance Date Events

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in future financial years

Future Developments

The Directors will be holding an Information Evening in the second half of 2010 with the view to raising awareness of the work of the Company and providing opportunity for members and supporters to become involved.

The entity expects to execute several projects in the coming twelve months and to expand the level of operations.

Environmental Issues

The entity's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Options

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

Information on Directors

Ian Sherwood Love	—	Director
Qualifications	—	Bachelor of Business, Chartered Accountant
Experience	—	Senior Executive with over 20 year commercial experience in the Asia Pacific region
Special Responsibilities	—	Chairman of the Company
David Gibson	—	Director
Qualifications	—	Bachelor of Commerce (Honours)
Experience	—	Independent consultant with 28 years experience in the asset management industry.
Special Responsibilities	—	Chief Executive Officer of the Company
Robert John Nash	—	Director
Qualifications	—	Bachelor of Laws
Experience	—	Barrister with over 20 year experience in legal advise and practice
Special Responsibilities	—	Legal advisor to the Company

Meetings of Directors

During the period, 5 meetings of directors (including committees of directors) were held. Attendances by each director were as follows:

	Directors' Meetings	
	Number eligible to attend	Number attended
Mr I S Love	4	4
Mr D Gibson	4	4
Mr R J Nash	4	4

Indemnifying Officers or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the entity.

Proceedings on Behalf of the Entity

No person has applied for leave of Court to bring proceedings on behalf of the entity or intervene in any proceedings to which the entity is a party for the purpose of taking responsibility on behalf of the entity for all or any part of those proceedings.

The entity was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2010 has been received and can be found on page 3 of the directors' report.

Signed in accordance with a resolution of the Board of Directors.

Director ______________________

Ian Sherwood Love

Dated this 15th day of OCTOBER 2010

THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

AUDITOR'S INDEPENDENCE DECLARATION
UNDER S 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF THE MANDALAY PROJECTS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Name of Firm: Paragon Consultants Pty Ltd

Name of Partner: Ken Thomas

Date

Address 160 Stirling Highway, Nedlands, Western Australia 6009

THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD 20 MAY 2009 TO 30 JUNE 2010

	Note	Period Ended 30 June 2010 $
Revenue	2	96
Other income	2	28,740
Other expenses		(40)
Profit before income tax		28,796
Income tax expense		(17)
Profit for the period		28,779
Other comprehensive income for the year, net of tax		—
Total comprehensive income for the period		28,779

The accompanying notes form part of these financial statements.

THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	30 June 2010
		$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	3	28,796
TOTAL CURRENT ASSETS		28,796
NON-CURRENT ASSETS		
TOTAL NON-CURRENT ASSETS		—
TOTAL ASSETS		**28,796**
LIABILITIES		
CURRENT LIABILITIES		
Current tax liabilities		17
TOTAL CURRENT LIABILITIES		17
NON-CURRENT LIABILITIES		
TOTAL NON-CURRENT LIABILITIES		—
TOTAL LIABILITIES		17
NET ASSETS		28,779
EQUITY		
Retained Earnings		28,779
TOTAL EQUITY		28,779

The accompanying notes form part of these financial statements.

THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD 20 MAY 2009 TO 30 JUNE 2010

	Retained Earnings	Total
	$	$
Balance at 20 May 2009	—	—
Profit attributable to the entity	28,779	28,779
Balance at 30 June 2010	28,779	28,779

The accompanying notes form part of these financial statements.

THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

STATEMENT OF CASH FLOWS FOR THE PERIOD 20 MAY 2009 TO 30 JUNE 2010

	Note	Period Ended 30 June 2010
		$
CASH FLOW FROM OPERATING ACTIVITIES		
Receipt of gift		28,560
Other receipts		180
Filing fees		(40)
Interest received		96
Net cash generated from operating activities	8	28,796
CASH FLOW FROM INVESTING ACTIVITIES		
Net cash used in investing activities		—
CASH FLOW FROM FINANCING ACTIVITIES		
Net cash used in financing activities		—
Net increase in cash held		28,796
Cash and cash equivalents at beginning of the period		—
Cash and cash equivalents at the end of the financial period	4	28,796

The accompanying notes form part of these financial statements.

The financial statements are for The Mandalay Projects Limited as an individual entity, incorporated and domiciled in Australia. The Mandalay Projects Limited is a company limited by guarantee.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

Accounting Policies

a. **Revenue**

Donations, gifts and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

b. **Financial Instruments**

Initial recognition and measurement

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

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

i. the amount at which the financial asset or financial liability is measured at initial recognition;

ii. less principal repayments;

iii. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and

iv. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when 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 value with a consequential recognition of an income or expense in profit or loss.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

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

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is 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.

c. **Impairment of Assets**

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

d. **Cash and Cash Equivalents**

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

e. **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. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

f. **Income Tax**

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

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

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

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred 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, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

An income tax provision has been raised for the period ended 30 June 2010. The Company is in the process of lodging an application for an exemption from income tax under Division 50 of the *Income Tax Assessment Act 1997*, however an exemption has not been approved in respect of the period ended 30 June 2010.

g. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

h. **Trade and Other Payables**

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

i. **Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments 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.

j. **Adoption of New and Revised Accounting Standards**

During the current period the company adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statement of the company.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of comprehensive income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

k. **New Accounting Standards for Application in Future Periods**

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company follows:

- AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The company has not yet determined any potential impact on the financial statements.

The changes made to accounting requirements include:

— simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;

— simplifying the requirements for embedded derivatives;

— removing the tainting rules associated with held-to-maturity assets;

— removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

— allowing 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. 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;

— requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows.

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government-related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the company.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009–5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the company.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments. These amendments are not expected to impact the company.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of retrospective application of Australian Accounting Standards for oil and gas assets and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the company.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  The amendments clarify identification of equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments are not expected to impact the company.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the company.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This Interpretation is not expected to impact the company.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing from 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the company.

The company does not anticipate early adoption of any of the above Australian Accounting Standards.

NOTE 2: REVENUE AND OTHER INCOME

	Period Ended 30 June 2010 $
Revenue	
Other revenue	
— interest received	96
Total Revenue	96
Other Income	
— membership fees	180
— bequests and gifts received	28,560
Total Other Income	28,740
Total Revenue and Other Income	28,836

NOTE 3: CASH AND CASH EQUIVALENTS

	Period Ended 30 June 2010
	$
CURRENT	
Cash at bank	16,980
Cash on hand	11,816
	28,796

NOTE 4: INCOME TAX EXPENSE

(a)	The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:membership fees	
	Prima facie tax payable on loss from ordinary activities before income tax at 30%	(8,639)
	Less tax effect of:	
	Non-assessable income	8,622
	Income tax expense	(17)

NOTE 5: CONTINGENT LIABILITIES AND ASSETS

No contingent liabilities exist as 30 June 2010.

NOTE 6: EVENTS AFTER THE REPORTING PERIOD

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

NOTE 7: KEY MANAGEMENT PERSONNEL COMPENSATION

	Short-term Benefits	Post- employ-ment Benefits	Other Long-term Benefits	Total
	$	$	$	$
Period ended 30 June 2010				
Total compensation	—	—	—	—

NOTE 8: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

a. during the period the Company received bequests and gifts from a Trust controlled by Mr I S Love, a director, of $28,560.

NOTE 9: CASH FLOW INFORMATION

		Note	Period Ended 30 June 2010 $
a.	**Reconciliation of Cash**		
	Cash at bank		16,980
	Funds in transit		11,816
		3	28,796
b.	**Reconciliation of Cashflow from Operations with Profit after Income Tax**		
	Profit after income tax		28,779
	Changes in assets and liabilities		
	Increase in current tax liability		17
			28,796

NOTE 10: FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term and long-term investments, accounts receivable and payable and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Period Ended 30 June 2010 $
Financial Assets		
Cash and cash equivalents	3	28,836
Total Financial Assets		28,836

Financial Risk Management Policies

The Directors overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the finance committee on a regular basis. These include credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk and equity price risk.

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 for the company.

The company does not have any material credit risk exposure as its major source of revenue is the receipt of donations.

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 value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

There were no trade or other receivables at the end of the financial year.

Credit risk related to balances with banks and other financial institutions is managed by the Directors maintaining deposits with only major Australian financial institutions.

b. **Liquidity risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The company manages this risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

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.

Financial liability and financial asset maturity analysis

	Within 1 Year	1 to 5 Years	Over 5 Years	Total
	2010	2010	2010	2010
	$	$	$	$
Financial liabilities due for payment				
Current tax liabilities	(17)	—	—	—
Total expected outflows	(17)	—	—	—
Financial Assets — cash flows realisable				
Cash and cash equivalents	28,836	—	—	—
Total anticipated inflows	28,836	—	—	—
Net (outflow)/inflow on financial instruments	28,819	—	—	—

c. **Market Risk**

i. ***Interest rate risk***

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 company is also exposed to earnings volatility on floating rate instruments.

The company is not exposed to interest rate risk for the period ended 30 June 2010.

At 30 June 2010 the company has no debt. Cash and cash equivalents are on bank deposit at call and are subject to variable interest rates.

THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE MANDALAY PROJECTS LIMITED

We have audited the accompanying financial statements of The Mandalay Projects Limited (the company), which comprises the balance sheet as at 30 June 2010 and the income statement, statement of recognised income and expenditure and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

The Responsibility of the Directors for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. 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 statements.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of The Mandalay Projects Limited on15 October 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

Qualification

In our opinion, it is not practicable to establish control over monies received from the source(s) of voluntary revenue prior to entry into its financial records. Accordingly, as the evidence available to me regarding revenue from this source was limited, my procedures with respect to monies received from the source(s) of voluntary revenue had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion whether the source(s) of voluntary revenue the Company obtained are complete.

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Mandalay Projects Limited as of 30 June 2010, and its financial performance and cash flows for the period then ended in accordance with the *Corporations Act 2001* and the Australian Accounting Standards (including Australian Accounting Interpretations).

Name of firm: Paragon Consultants Pty Ltd

Name of partner: Ken Thomas

Address: 160 Stirling Highway, Nedlands, Western Australia 6009

Dated this 15 day of 10 2010