



# Paragon Consultants

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## Chartered Accountants

### **THE MANDALAY PROJECTS LTD**

ABN 45 137 216 829

### **FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2011**

	PAGE
DIRECTORS' REPORT.....	1
AUDITOR'S INDEPENDENCE DECLARATION .....	3
STATEMENT OF COMPREHENSIVE INCOME.....	4
STATEMENT OF FINANCIAL POSITION .....	5
STATEMENT OF CHANGES IN EQUITY .....	6
STATEMENT OF CASHFLOWS .....	7
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS .....	8
DIRECTOR'S DECLARATION.....	14
INDEPENDENT AUDIT REPORT .....	15

# THE MANDALAY PROJECTS LIMITED ABN 45 137 216 829

## Financial Report for the Year Ended 30 June 2011

### DIRECTORS' REPORT

Your directors present this report on the entity for the period ended 30 June 2011.

#### 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.

#### Principal Activities

The principal activity of the entity during the financial year was as a charitable organisation providing strategic, sustainable, development assistance to a growing number of orphanages and other organisations in Asia.

The Company provides three main categories of aid, and within each of these there are two "steps" to be taken, to build solid foundations for support. It is a critical prerequisite of every project undertaken by the Company that aid must ultimately be self-sustaining. The Company's aim is to enable the children supported to become more independent, and to ensure that any aid programme doesn't actually increase dependence on outside assistance.

The entity's short- term objectives are to provide tactical aid or emergency relief by provision of food & water and aid by provision of services to improve health and hygiene.

The entity's long- term objectives are to provide strategic development aid to improve basic literacy and assist with higher education and vocational training.

To achieve these objectives, the entity has adopted the following strategies:

- always engage local partners to work with us on the projects
- always conduct site visits before, during and after project work
- on-site management is always involved in the planning and execution of projects
- projects kept to a manageable size
- keep a tight rein on cash-flow, releasing funds in small amounts at various stages through the life of a project
- keep operating costs as close to zero as possible, contributory factors including generous support by a number of pro-bono professional service providers, site visits being funded personally by us, and keeping administrative overheads to an absolute minimum.

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

#### Information on Directors

<b>Ian Sherwood Love</b>	—	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
<b>David Gibson</b>	—	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

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## DIRECTORS' REPORT

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	5	5
Mr D Gibson	5	5
Mr R J Nash	5	4

### Auditor's Independence Declaration

The lead auditor's independence declaration for the period ended 30 June 2011 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 24 day of OCTOBER 2011

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 2011 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 24/10/11



Address 160 Stirling Highway, Nedlands, Western Australia 6009

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2011

	Note	2011	2010 \$
Revenue	2	135	96
Other income	2	128,348	28,740
Projects costs		(67,888)	—
Foreign exchange losses		(612)	—
Other expenses		(205)	(40)
<b>Profit before income tax</b>		59,778	28,796
Income tax expense		—	(17)
<b>Profit for the period</b>		59,778	28,779
<b>Other comprehensive income for the year, net of tax</b>		—	—
<b>Total comprehensive income for the period</b>		59,778	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 2011**

	<b>Note</b>	<b>2011</b>	<b>2010</b>
			<b>\$</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	88,574	28,796
<b>TOTAL CURRENT ASSETS</b>		88,574	28,796
<b>NON-CURRENT ASSETS</b>			
<b>TOTAL NON-CURRENT ASSETS</b>		—	—
<b>TOTAL ASSETS</b>		88,574	28,796
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Current tax liabilities		17	17
<b>TOTAL CURRENT LIABILITIES</b>		17	17
<b>NON-CURRENT LIABILITIES</b>			
<b>TOTAL NON-CURRENT LIABILITIES</b>		—	—
<b>TOTAL LIABILITIES</b>		17	17
<b>NET ASSETS</b>		88,557	28,779
<b>EQUITY</b>			
Retained Earnings		88,557	28,779
<b>TOTAL EQUITY</b>		88,557	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 1 JULY 2010 TO 30 JUNE 2011**

	<b>Retained Earnings</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Balance at 30 June 2009</b>	—	—
Profit attributable to the entity	28,779	28,779
<b>Balance at 30 June 2010</b>	<u>28,779</u>	<u>28,779</u>
<b>Balance at 1 July 2010</b>	28,779	28,779
Profit attributable to the entity	59,778	59,778
<b>Balance at 30 June 2011</b>	<u>88,557</u>	<u>88,557</u>

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 1 JULY 2010 TO 30 JUNE 2011

	Note	2011	2010
			\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipt of gift		128,348	28,560
Other receipts		—	180
Bank fees		(140)	—
Filing fees		(65)	(40)
Interest received		135	96
Net cash generated from operating activities		128,278	28,796
CASH FLOW FROM INVESTING ACTIVITIES			
Payment to projects		(67,888)	—
Net cash used in investing activities		(67,888)	—
CASH FLOW FROM FINANCING ACTIVITIES			
Foreign exchange losses		(612)	—
Net cash used in financing activities		(612)	—
Net increase in cash held		59,778	28,796
Cash and cash equivalents at beginning of the period		28,796	—
Cash and cash equivalents at the end of the financial period	3	88,574	28,796

The accompanying notes form part of these financial statements.



# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

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 Mandalay Projects Limited has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements of the Australian Accounting Standards Board 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

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### NOTE1:SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONT'D)

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.

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

### NOTE1:SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONT'D)

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(ATO). 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. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis, except for the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO. The GST component of financing and investing activities which is recoverable from, or payable to, the ATO is classified as a part of operating cash flows. Accordingly, investing and financing cash flows are presented in the statement of cash flows net of the GST that is recoverable from, or payable to, the ATO.

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

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

## NOTE1:SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(CONT'D)

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.

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 2011.

### 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. Comparative Figures

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

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

### i. 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.

### j 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.

## NOTE 2: REVENUE AND OTHER INCOME

	2011	2010
	\$	\$
Revenue		
Other revenue		
— interest received	135	96
<b>Total Revenue</b>	<b>135</b>	<b>96</b>
Other Income		
— membership fees	—	180
— bequests and gifts received	128,348	28,560
<b>Total Other Income</b>	<b>128,348</b>	<b>28,740</b>
<b>Total Revenue and Other Income</b>	<b>128,483</b>	<b>28,836</b>

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
<b>NOTE 3: CASH AND CASH EQUIVALENTS</b>		
<b>CURRENT</b>		
Cash at bank	84,943	16,980
Cash on hand	3,631	11,816
	<u>88,574</u>	<u>28,796</u>

## 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:		
Prima facie tax payable on loss from ordinary activities before income tax at 30%	(17,933)	(8,639)
Less tax effect of:		
Non-assessable income	17,933	8,622
Income tax expense	<u>—</u>	<u>(17)</u>

## NOTE 5: CONTINGENT LIABILITIES AND ASSETS

No contingent liabilities exist as 30 June 2011.

## 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-employment Benefits	Other Long-term Benefits	Total
	\$	\$	\$	\$
<b>Period ended 30 June 2010</b>				
Total compensation	—	—	—	—
<b>Period ended 30 June 2011</b>				
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.

# THE MANDALAY PROJECTS LIMITED

ABN 45 137 216 829

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$

### NOTE 9: 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:

#### Financial assets

Cash and cash equivalents	3	88,574	28,796
<b>Total financial assets</b>		<b>88,574</b>	<b>28,796</b>

#### Financial liabilities

Trade and other payables		—	—
<b>Total financial liabilities</b>		<b>—</b>	<b>—</b>

#### Net Fair Values

The fair values of financial assets and financial liabilities approximate their carrying value and are therefore presented in the statement of financial position and notes to the financial statements.

The fair values disclosed in the above table have been determined based on the following methodologies:

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is not considered a financial instrument.

### NOTE 10: MEMBERS' GUARANTEE

The entity is incorporated under the *Corporations Act 2001* and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$10 each towards meeting any outstanding and obligations of the entity. At 30 June 2011 the number of members was 3.

### NOTE 11: ENTITY DETAILS

The registered office of the entity is:

74 Archdeacon Street  
NEDLANDS WA 6009

The principal place of business is:

Level 18 Central Park  
152 – 158 St George's Terrace  
Perth WA 6000

THE MANDALAY PROJECTS LIMITED

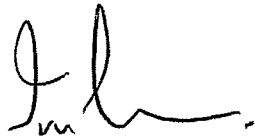
ABN 45 137 216 829

DIRECTORS' DECLARATION

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 1 to 13, are in accordance with the *Corporations Act 2001*:
  - a. comply with Australian Accounting Standards; and
  - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the entity.
2. In the directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

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



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Ian Sherwood Love(Director)

Dated this

24

day of

OCTOBER

2011

# 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 2011 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.

### *Directors' Responsibility 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 – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that is free from material misstatement, whether due to fraud or error.

### *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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial 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 on 24 October 2011, 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 2011, 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 24 day of 10 2011

