Mansfield & District Community Enterprises Limited
ABN 92 124 069 914

2008 annualreport





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Chairman's report

For year ending 30 June 2008

The Company's first Annual Report is positive in both financial and community investment terms. The loss of the Company for the financial period was $305,817 of which $140,136 were one-off expenses related to the Company's establishment, resulting in a core business loss after provision for income tax of $173,854. The Company balance sheet shows equity of $423,983 providing strong footings and capital assets to support future growth.

A total of 283 shareholders took up $755,660 in $1.00 shares to invest in a significant business which aims to provide a high level of customer service and localised economic growth. This level of neighbourhood investment has put Mansfield & District **Community Bank®** Branch in a position of strength for the immediate future as we remain on target to reach the projected profitability as outlined in the prospectus.

The Company's investment into the community commenced the day the bank opened on 31 August 2007 with $1,200 distributed between the local schools and has continued throughout the year, benefiting a diversity of leadership, sporting, health and youth projects. These funds have been made available from the Market Development Fund.

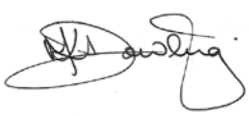
Ten of the original 15 member Steering Committee (established March 2006) formed the inaugural Board of Directors in February 2007. Don Cummins stepped down on 23 January 2008 and Haley Tudor-Harrop took up the vacancy. Mr Cummins' input in the early stages of the branch's development was invaluable, and I sincerely thank him. Haley has brought with her an equally invaluable financial perspective.

I strongly believe we are able to build community strength and opportunity through the creation of profit sharing for all stakeholders – our shareholders, customers and staff.

Rob Hunt inspired a new generation of bankers in 1998 when he initiated the 'Bendigo model' of **Community Bank®** branches in Rupanyup and Minyup. As the big four banks deserted rural and regional towns, local communities were stranded for banking services resulting in the overnight downturn of their economic sustainability.

Today, **Community Bank®** branches thrive in towns where the major banks have chosen to remain because the Bendigo model continues to provide local economic growth partnered with exemplary customer focus to create *successful customers, successful communities and a successful bank* in that order.

Your **Community Bank®** branch fills a gaping hole in local financial services, particularly as we try and absorb the current global picture. We remain committed to our core business – providing financial information and community relevance through everyday savings and investment into the future.



Marian Dowling

Chairman

Manager's report

For year ending 30 June 2008

To the community that has supported the branch in its first year, a big 'thank you'.

Without your willingness to open, transfer and enquire about our excellent products and services, our first year would not have been the success it has.

Through your initial efforts Mansfield & District **Community Bank®** branch has gained total holdings of just under $30 million and our account numbers have climbed to 1,300, with room for more. This is an outstanding result in the first year of operation for a **Community Bank®** branch.

Clients utilise the full banking services provided by our **Community Bank®** branch including investment, home and commercial loans, credit cards, insurance and financial planning. Our clients understand that growth in the branch's business will lead to investment in the Mansfield district.

A special thank you also goes to our hard-working and helpful staff, Ninel, Glenys, Terri and Mary, who accepted the great challenge of being part of the community's vision for the branch. Our staff continue to grow with the job and they are always willing to give our clients excellent customer service.

I would also like to thank members of our Board, capably chaired by Marian Dowling, for their support and continued dedication to make your **Community Bank®** branch a local leader in banking and financial services.

Through your support, the branch has been able to deliver almost $2,000 into community projects and sponsorships.

With increasing community support we will be in a position to continue our sponsorship, grants and project partnering for many years to come.

It has been a privilege to lead our branch team and we look forward to continued growth and support from our community.

B A Bird
Branch Manager

Directors' report

For year ending 30 June 2008

Your Directors submit their report of the Company for the financial period ended 30 June 2008.

Directors

The names and details of the Company's Directors who held office during or since the end of the financial period are:

Marian Louise Dowling
Chairman
Community Representative

Margaret Colville Attley
Director
Shire Councillor

Eileen Teresa Conway
Director
Business Consultant

Graham Robert Corless
Director
Company Director

Donald Matthew Cummins
Director
Chief Executive Officer
(Resigned 23/01/2008)

Roderick Hugh Kilpatrick
Director
Business Consultant

Peter John Morgan
Director
Real Estate Agent

Maurice Patrick Walsh
Director
Retailer

Noel Francis Willaton
Director
Systems Analyst

Anthony Ross Williams
Secretary and Director
Solicitor

Haley Kate Tudor-Harrop
Director
Accountant
(Appointed 23/01/2008)

Directors were in office for the entire period and appointed on 21 February 2007 unless otherwise stated.

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

Principal activities

The principal activities of the Company during the course of the financial period were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Limited.

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

Operating Results

Operations have performed in line with expectations. The loss of the Company for the financial period after provision for income tax was $305,817.

Dividends

No dividends were declared or paid during the period.

Significant changes in the state of affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial period under review not otherwise disclosed in this report.

Significant events after the balance date

There are no matters or circumstances that have arisen since the end of the financial period that have significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future years.

Likely developments

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

Directors' benefits

Henry Partners Pty Ltd, of which Haley Tudor-Harrop is a partner, received a fee of $8,160 for accounting services provided to the Company during the period ended 30 June 2008.

Mansfield Legal Services Pty Ltd of which Anthony Ross Williams is a Director, received a determination payment of $17,335 on the closure of the Bendigo bank agency previously conducted by that Company in Mansfield.

Other than stated above, no other Director has received or become entitled to receive, during or since the financial period, a benefit because of a contract made by the Company, controlled entity or related body corporate with a Director, a firm which a Director is a member or an entity in which a Director has a substantial financial interest. This statement excludes a benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in the Company's accounts, or the fixed salary of a full-time employee of the Company, controlled entity or related body corporate.

Indemnification and Insurance of Directors and Officers

The Company has indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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 or a related body corporate.

Directors' report continued

Directors meetings

The number of Directors meetings attended by each of the Directors of the Company during the period were:

Number of meetings held:	**11**
Number of meetings attended:	
Marian Louise Dowling	8
Margaret Colville Attley	9
Eileen Teresa Conway	6
Graham Robert Corless	10
Donald Matthew Cummins (resigned 23/01/08)	4
Roderick Hugh Kilpatrick	11
Peter John Morgan	9
Haley Tudor-Harrop (appointed 23/01/08)	5
Maurice Patrick Walsh	9
Noel Francis Willaton	8
Anthony Ross Williams	9

Company Secretary

Anthony Ross Williams has been the Company Secretary of Mansfield & District Community Enterprises Ltd since incorporation on 21 February 2007. Anthony's qualifications and experience include being a solicitor for more than 30 years and a partner in a firm of solicitors since 1982.

Corporate Governance

The Company has implemented various corporate governance practices, which include:

(a) The establishment of an audit committee. Members of the audit committee are Marian Dowling, Peter Morgan, Haley Tudor-Harrop, Maurice Walsh and Tony Williams;

(b) Director approval of operating budgets and monitoring of progress against these budgets;

(c) Ongoing Director training; and

(d) Monthly Director meetings to discuss performance and strategic plans.

Auditor independence declaration

The Directors received the following declaration from the Auditor of the Company:

Richmond Sinnott & Delahunty
Chartered Accountants

Richmond Sinnott & Delahunty
Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

22 September 2008

The Directors
Mansfield & District Community Enterprises Ltd
C/O Marian Dowling
PO Box 65
Mansfield Vic 3724

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Mansfield & District Community Enterprises Ltd for the period ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

Signed in accordance with a resolution of the Board of Directors at Mansfield on 22 September 2008.

Marian Louise Dowling

Director

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $
Revenue from ordinary activities	2	208,681
Employee benefits expense	3	(241,195)
Charitable donations and sponsorship		(1,679)
Depreciation and amortisation expense	3	(47,785)
Finance costs	3	(20)
Other expenses from ordinary activities		(306,502)
Loss before income tax benefit		**(388,500)**
Income tax benefit	4	(82,683)
Loss after income tax benefit		**(305,817)**
Earnings per share (cents per share)		
- basic for loss for the period	19	(40.47)
- diluted for loss for the period	19	(40.47)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $
Current assets		
Cash assets	6	215,407
Receivables	7	30,972
Other assets		3,423
Total current assets		**249,802**
Non-current assets		
Property, plant and equipment	8	141,211
Deferred income tax asset	4	82,683
Total non-current assets		**223,894**
Total assets		**473,696**
Current liabilities		
Payables	9	35,771
Provisions	10	13,942
Total current liabilities		**49,713**
Total liabilities		**49,713**
Net assets		**423,983**
Equity		
Share capital	11	729,800
Accumulated losses	12	(305,817)
Total equity		**423,983**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $
Cash flows from operating activities		
Cash receipts in the course of operations		184,403
Cash payments in the course of operations		(521,849)
Interest paid		(20)
Interest received		12,069
Net cash flows used in operating activities	**13b**	**(325,397)**
Cash flows from investing activities		
Payments for property, plant and equipment		(188,996)
Net cash flows used in investing activities		**(188,996)**
Cash flows from financing activities		
Proceeds from issue of shares		755,660
Payment of equity raising costs		(25,860)
Net cash flows from financing activities		**729,800**
Net increase in cash held		**215,407**
Add opening cash brought forward		-
Closing cash carried forward	**13a**	**215,407**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $
SHARE CAPITAL		
Ordinary shares		
Balance at start of period		-
Issue of share capital		755,660
Share issue costs		(25,860)
Balance at end of period		**729,800**
Retained earnings / (accumulated losses)		
Balance at start of period		-
Loss after income tax benefit		(305,817)
Dividends paid		-
Balance at end of period		**(305,817)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the financial report

(a) Basis of accounting

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared on an accruals basis and is based on historical costs (except for land and buildings and available-for-sale financial assets that have been measured at fair value) and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The financial report was authorised for issue by the Directors on 22 September 2008.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS'). Australian Accounting Standards that have been recently issued or amended, but are not yet effective, have not been adopted in the preparation of this financial report.

(c) Significant accounting policies

Income tax

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

Note 1. Basis of preparation of the financial report (continued)

Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Leasehold improvements (straight line basis)	2.5%
Furniture & fittings	10 - 100%
Computer software	40%

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Recoverable amount of assets

At each reporting date, the Company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the cash flow statement on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the Company has a present obligation to pay resulting from employees' services provided up to the balance date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The Company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum.

Cash

Cash on hand and in banks are stated at nominal value.

For the purposes of the cash flow statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

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

Notes to the financial statements continued

Note 1. Basis of preparation of the financial report (continued)

Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables are recognised and carried at original invoice amount less a provision for any uncollected debts. Liabilities for trade creditors and other amounts are carried at cost that is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Interest bearing liabilities

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

Provisions

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

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

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Comparative figures

The Company commenced operations during the period, hence there are no comparative figures. The Company elected for the first financial period to be from 21 February 2007 to 30 June 2008.

	2008 $

Note 2. Revenue from ordinary activities

Operating activities	
- services commissions	193,694
- other revenue	-
Total revenue from operating activities	**193,694**

Notes to the financial statements continued

	2008 $

Note 2. Revenue from ordinary activities

Non-operating activities:	
- interest received	14,200
- other revenue	787
Total revenue from non-operating activities	**14,987**
Total revenue from ordinary activities	**208,681**

Note 3. Expenses

Employee benefits expense	
- wages and salaries	203,834
- superannuation costs	19,544
- workers' compensation costs	560
- other costs	17,257
	241,195
Depreciation of non-current assets:	
- leasehold improvements	1,307
- furniture & fittings	44,248
- computer software	2,230
	47,785
Finance costs:	
- Interest paid	**20**
Bad debts	119

Notes to the financial statements continued

	2008 $

Note 4. Income tax expense

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

	2008 $
Prima facie tax on loss before income tax at 30%	(116,550)
Add tax effect of:	
- Non-deductible expenses	33,000
- Origination and reversal of temporary differences	867
Current income tax benefit	**(82,683)**
Income tax benefit	**(82,683)**
Deferred income tax asset	
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**82,683**

Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:

	2008 $
- Audit or review of the financial report of the Company	2,700
- Accounting work for prospectus	2,150
	4,850

Note 6. Cash assets

	2008 $
Cash at bank and on hand	**215,407**

Note 7. Receivables

	2008 $
Trade debtors	28,841
Other receivables	2,131
	30,972

Note 8. Property, plant and equipment

	2008 $
Leasehold improvements	
At cost	61,328
Less accumulated depreciation	(1,307)
	60,021
Furniture and fittings	
At cost	117,259
Less accumulated depreciation	(44,248)
	73,011
Computer software	
At cost	10,409
Less accumulated depreciation	(2,230)
	8,179
Total written down amount	**141,211**
Movements in carrying amounts	
Leasehold improvements	
Carrying amount at beginning of period	-
Additions	61,328
Disposals	-
Depreciation expense	(1,307)
Carrying amount at end of period	**60,021**
Furniture and fittings	
Carrying amount at beginning of period	-
Additions	117,259
Disposals	-
Depreciation expense	(44,248)
Carrying amount at end of period	**73,011**

	2008 $

Note 8. Property, plant and equipment (continued)

Computer software

	2008 $
Carrying amount at beginning of period	-
Additions	10,409
Disposals	-
Depreciation expense	(2,230)
Carrying amount at end of period	**8,179**

Note 9. Payables

	2008 $
Trade creditors	16,858
Other creditors and accruals	18,913
	35,771

Note 10. Provisions

	2008 $
Employee benefits	13,942
Number of employees at period end	**5**

Note 11. Share capital

	2008 $
755,660 Ordinary shares fully paid of $1 each	755,660
Less: Equity raising costs	(25,860)
	729,800

All the above shares were issued during the period ended 30 June 2008.

Note 12. Accumulated losses

	2008 $
Balance at the beginning of the financial period	-
Loss after income tax	(305,817)
Dividends	-
Balance at the end of the financial period	**(305,817)**

Notes to the financial statements continued

	2008 $
Note 13. Cash flow statement	
(a) Reconciliation of cash	
Cash assets	215,407
(b) Reconciliation of loss after tax to net cash provided used in operating activities	
Loss after income tax	(305,817)
Non cash items	
- Depreciation	47,785
Changes in assets and liabilities	
- (Increase) decrease in receivables	(34,395)
- (Increase) decrease in deferred tax asset	(82,683)
- Increase (decrease) in payables	35,771
- Increase (decrease) in provisions	13,942
Net cashflows used in operating activities	**(325,397)**

Note 14. Director and related party disclosures

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

Marian Louise Dowling

Margaret Colville Attley

Eileen Teresa Conway

Graham Robert Corless

Donald Matthew Cummins (resigned 23/01/08)

Roderick Hugh Kilpatrick

Peter John Morgan

Haley Tudor-Harrop (appointed 23/01/08)

Maurice Patrick Walsh

Noel Francis Willaton

Anthony Ross Williams

Notes to the financial statements continued

Note 14. Director and related party disclosures (continued)

Henry Partners Pty Ltd, of which Haley Tudor-Harrop is a partner, received a fee of $8,160 for accounting services provided to the Company during the period ended 30 June 2008.

Mansfield Legal Services Pty Ltd of which Anthony Ross Williams is a Director, received a determination payment of $17,335 on the closure of the Bendigo bank agency previously conducted by that Company in Mansfield.

Other than stated above, no other Director or related entity has entered into a material contract with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2008**
Marian Louise Dowling	2,501
Margaret Colville Attley	501
Eileen Teresa Conway	2,001
Graham Robert Corless	5,001
Donald Matthew Cummins (resigned 23/01/08)	1
Haley Tudor-Harrop (appointed 23/01/08)	2,000
Roderick Hugh Kilpatrick	2,001
Peter John Morgan	2,501
Maurice Patrick Walsh	2,001
Noel Francis Willaton	2,501
Anthony Ross Williams	10,001

All shares were issued during the period. Each share held has a paid up value of $1 and is fully paid.

Note 15. Subsequent events

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

Note 16. Contingent liabilities

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

Note 17. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in one geographic area being Mansfield, Victoria.

Note 18. Corporate information

Mansfield & District Community Enterprises Ltd is a Company limited by shares incorporated in Australia.

The registered office is:	24A Highett Street, Mansfield VIC 3722
The principal place of business is:	96-98 High Street, Mansfield VIC 3722

Note 19. Earnings per share

Basic earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing loss after income tax by the weighted average number of ordinary shares outstanding during the period (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2008 $
Loss after income tax expense	**(305,817)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**755,660**

Note 20. Financial risk management

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

Note 20. Financial risk management (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For the Company it arises from receivables and cash assets.

The maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount 2008 $
Cash assets	215,407
Receivables	30,972
	246,379

The Company's exposure to credit risk is limited to Australia by geographic area. The majority of the balance of receivables is due from Bendigo and Adelaide Bank Ltd.

None of the assets of the Company are 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 Ltd.

(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 20. Financial risk management (continued)

(b) Liquidity risk (continued)

The following are the estimated contractual maturities of financial liabilities, including estimated interest payments.

30 June 2008	Carrying amount $	Contractual cash flows $	1 year or less $	over 1 to 5 years $	more than 5 years $
Payables	35,771	(35,771)	(35,771)	-	-
	35,771	**(35,771)**	**(35,771)**	**-**	**-**

(c) Market risk

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

Interest rate risk

Interest rate risk is that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company reviews the exposure to interest rate risk as part of the regular Board meetings.

Sensitivity analysis

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

Fixed rate instruments	Carrying amount 2008 $
Financial assets	180,392
Financial liabilities	-
	180,392
Variable rate instruments	
Financial assets	35,015
Financial liabilities	-
	35,015

Note 20. Financial risk management (continued)

(c) Market risk (continued)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed interest rate financial assets or liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. This assumes all other variables remain constant.

(d) Net fair values

The net fair values of financial assets and liabilities approximate the carrying values as disclosed in the Balance Sheet. The Company does not have any unrecognised financial instruments at period end.

(e) 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 Balance Sheet.

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

(i) the Distribution Limit is the greater of:

- (a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
- (b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and

(ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the period ended 30 June 2008 can be seen in the Income Statement.

There were no changes in the Company's approach to capital management during the period.

Director's declaration

In accordance with a resolution of the Directors of Mansfield & District Community Enterprises Ltd, I state that:

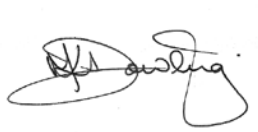
In the opinion of the Directors:

(a) the financial statements and notes of the Company are 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 2008 and of their performance for the period ended on that date; and

  (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



Marian Louise Dowling
Director

Signed at Mansfield on 22 September 2008.

Richmond Sinnott & Delahunty

Chartered Accountants

Partners:
Kenneth J Richmond
Warren J Sinnott
Philip P Delahunty
Brett A Andrews

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF MANSFIELD & DISTRICT COMMUNITY ENTERPRISES LTD

SCOPE

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Mansfield & District Community Enterprises Ltd, for the period ended 30 June 2008.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are established to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant account estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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ABN 60 616 244 309

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Mansfield & District Community Enterprises Ltd is in accordance with:

(a) the Corporations Act 2001 including:

(i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the period ended on that date;

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

(b) other mandatory professional reporting requirements in Australia.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner
Bendigo

Date: 22 September 2008

Mansfield & District **Community Bank**® Branch
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