Mansfield & District
Community Enterprises Ltd

ABN 92 124 069 914

annual report 2011

Mansfield & District **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2011

Mansfield & District Community Enterprises Ltd opened its doors on the 31 August 2007 to provide our community with alternative financial services. I would like to highlight our net income position at the 30 June respectively for those past four years:

2008	$(305,817)
2009	$(111,813)
2010	$(26,687)
2011	$59,575

I believe this to be an excellent outcome especially given the uncertainty that continues to plague the world's financial markets.

This success is due to the efforts of our staff under the leadership of our Branch Manager, Vanessa, who has delivered to both the Board and our community a focus on teamwork, driving the business forward through target-setting and careful monitoring of the outcomes. We have seen two staff members, Glenys and Sandra, leave and in their stead we have Adam and Ryan, meeting a strategic goal to provide employment opportunties to our district's young people. Ninel strongly supports Vanessa and delivers a steadying hand to both staff and customers alike, as with Terri, both ladies having been with the Branch since opening.

I would like to take this opportunity to thank my fellow Board members who contribute to the success of the organisation, and in particular, Haley (Company Secretary), Richard (Treasurer) and members of the Development Committee. I believe the main strength of our Company is due to the skills and harmony amongst our Board members. The role is rewarding, yet challenging, as we develop and implement the strategic direction of the business. Board membership carries a heavy responsibility for an unpaid position and I thank everyone for their contribution.

During the year Rowena Ellis stepped down from the Board. Rowena injected a significant amount of expertise into our processes and I thank her for her dedication and professionalism.

This purpose-built banking model is designed specifically to offer unequalled customer service and deliver your profits back into our local district. We continue to deliver on both of these tenets. As our profits continue to grow, we will also be in a position to reward our shareholders with a dividend.

Entering into my fifth year as Chairman, I see our **Community Bank®** branch continuing to forge ahead despite set backs which are out of our control. What can and will continue to grow is our commitment to the Mansfield and district community – families, businesses large and small, farmers and retirees, but we cannot achieve success without your support in banking with the Company you own.

Maz Dowling
Chairman

Manager's report

For year ending 30 June 2011

Mansfield is always vibrant and positive.

Our industry is ever changing and it is imperative that we meet and exceed what these challenges bring. I would like to thank our staff (Ninel, Terri, Glenys, Sandra, Adam, and Ryan) for all their efforts and support throughout the year, and believe that they are brilliant representatives of the Mansfield & District **Community Bank®** Branch.

During the year we saw the departure of Glenys and Sandra; I would like to thank them for all their hard work and wish them all the best for the future. I would like to welcome our two new staff members, Adam and Ryan. Additionally, I would like to thank our State Support Offices and Financial Planners who continually assist us to provide our clients with the most suitable products for their needs.

Consistent and dedicated hard work from the staff is reflected in our business results for the end of June 2011. The total business is $66.9 million held in 2,230 accounts. This is broken down into deposits of $36.5 million, lending of $25 million and other accounts (e.g. agribusiness) of $5.4 million.

The branch continues to engage the community in a number of sponsorship ventures and grants. Our partnerships range from schools, local charities, community groups and local sporting groups. We would like to thank these organisations for the opportunity to partner with them in their wonderful projects.

I look forward to another year of growth as we strive toward the goals set in our Strategic Plan and would like to thank our loyal customers and shareholders who choose to conduct their banking with us. This enables us to be successful and to provide the support needed in our community.

Come and join our **Community Bank®** branch and contribute to something great in our fantastic community.

Vanessa Skinner
Branch Manager

Directors' report

For the financial year ended 30 June 2011

Your Directors submit their report of the Company for the financial year ended 30 June 2011.

Directors

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

Marian Louise Dowling
Chairman
Community Representative

Noel Francis Willaton
Director
Systems Analyst

Rowena Christine Ellis (resigned 31 May 2011)
Director
HR Consultant

Anthony Ross Williams (resigned 9 November 2010)
Director
Solicitor

Richard Nigel Tucker (appointed 9 November 2010)
Director/Treasurer
Retired Insurance Broker

Haley Kate Tudor-Harrop
Director/Secretary
Accountant

Graham Robert Corless
Director
Company Director

Jayaram Kanuparthy Naidu
Director
Retired Accountant

Paul Andrew Sladdin
Director/Vice Chairman
Chief Executive Officer
(Appointed Vice Chairman 31 May 2011)

Directors were in office for this entire period 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 year were in providing **Community Bank®** services under management rights to operate a franchised branch of Bendigo and Adelaide Bank Ltd.

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

Review of operations

The profit / (loss) of the Company for the financial year after provision for income tax was $59,575 (2010: ($26,687)).

Dividends

No dividends were declared or paid during the year.

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 year under review not otherwise disclosed in this report.

Significant events after the balance date

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

There are no other matters or circumstances that have arisen since the end of the financial year 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.

Remuneration report

No Director has received or become entitled to receive, during or since the financial year, 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 agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the Company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The Company also has Officers Insurance for the benefit of Officers of the Company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the Company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The Company has not provided any insurance for an Auditor of the Company or a related body corporate.

Directors' report continued

Directors' meetings

The number of Directors' meetings attended during the year were:

Director	Board meetings #	Audit & governance committee
Marian Louise Dowling	10 (11)	0 (1)
Graham Robert Corless	6 (11)	N/A
Haley Tudor-Harrop	8 (11)	N/A
Paul Andrew Sladdin	7 (11)	N/A
Noel Francis Willaton	8 (11)	0 (0)
Anthony Ross Williams (resigned 9 November 2010)	3 (4)	1 (1)
Rowena Christine Ellis (resigned 31 May 2011)	5 (10)	N/A
Jayaram Kanuparthy Naidu	9 (11)	1 (1)
Richard Nigel Tucker (appointed 9 November 2010)	7 (7)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
N/A -not a member of that committee

Company Secretary

Haley Tudor-Harrop was appointed as Company Secretary on 10 December 2010. Haley's qualifications and experience include being an accountant for more than 7 years.

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, Jayaram Naidu and Noel Willaton;

(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.

Directors' report continued

Auditor Independence Declaration

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

Richmond Sinnott & Delahunty

Chartered Accountants

23 September 2011

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 year ended 30 June 2011, 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 23 September 2011.

Marian Louise Dowling, Director

Financial statements

Statement of comprehensive income
for the year ended 30 June 2011

	Note	2011 $	2010 $
Revenue from continuing operations	2	574,103	454,356
Employee benefits expense	3	(251,651)	(235,228)
Charitable donations and sponsorship		(20,072)	(42,523)
Depreciation and amortisation expense	3	(10,668)	(18,083)
Finance costs	3	-	(10)
Other expenses		(212,635)	(203,629)
Profit / (loss) before income tax benefit		**79,077**	**(45,117)**
Income tax expense / (benefit)	4	19,502	(18,430)
Profit / (loss) after income tax benefit		**59,575**	**(26,687)**
Other comprehensive income		-	-
Total comprehensive income		**59,575**	**(26,687)**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	20	7.88	(3.53)
- diluted for profit / (loss) for the year	20	7.88	(3.53)

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	6	93,347	22,753
Receivables	7	60,312	50,097
Total current assets		**153,659**	**72,850**
Non-current assets			
Property, plant and equipment	8	96,380	105,957
Deferred tax assets	4	135,944	155,446
Total non-current assets		**232,324**	**261,403**
Total assets		**385,983**	**334,253**
Current liabilities			
Payables	9	26,738	33,023
Provisions	10	14,187	15,747
Total current liabilities		**40,925**	**48,770**
Total liabilities		**40,925**	**48,770**
Net assets		**345,058**	**285,483**
Equity			
Share capital	11	729,800	729,800
Accumulated losses	12	(384,742)	(444,317)
Total equity		**345,058**	**285,483**

The accompanying notes form part of these financial statements.

Statement of cash flows for the year ended 30 June 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Cash receipts in the course of operations		652,100	496,826
Cash payments in the course of operations		(580,914)	(533,889)
Interest paid		-	(10)
Interest received		499	202
Net cash flows from / (used in) operating activities	**13b**	**71,685**	**(36,871)**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,091)	(460)
Net cash flows used in investing activities		**(1,091)**	**(460)**
Net increase / (decrease) in cash held		**70,594**	**(37,331)**
Cash and cash equivalents at start of year		22,753	60,084
Cash and cash equivalents at end of year	**13a**	**93,347**	**22,753**

The accompanying notes form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2011

	Note	2011 $	2010 $
Share capital			
Balance at start of year		729,800	729,800
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**729,800**	**729,800**
Retained earnings / (accumulated losses)			
Balance at start of year		(444,317)	(417,630)
Profit / (loss) after income tax benefit		59,575	(26,687)
Dividends paid	19	-	-
Balance at end of year		**(384,742)**	**(444,317)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Mansfield & District Community Enterprises Ltd ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements have been prepared on an accruals basis and are based on historical costs and do not take into account changing money values or, except where stated, current valuations of non-current assets.

The financial statements require judgements, estimates and assumptions to be made that affect the application of accounting policies. Actual results may differ from these estimates.

The financial statements were authorised for issue by the Directors on 23 September 2011.

(b) Statement of compliance

The financial report is a general purpose financial report, which has been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) adopted by the Australian Accounting Standards Board and the Corporations Act 2001. The financial report of the Company complies with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. 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. These changes are not expected to have a material impact on the Company's financial statements.

(c) Significant accounting policies

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2010 financial statements.

<u>Income tax</u>

Deferred income tax is provided on all temporary differences at the reporting 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 reporting 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.

Notes to the financial statements continued

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.

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.

Notes to the financial statements continued

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

Goods and services tax (continued)

The net amount of GST recoverable from, or payable to, the taxation authority 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.

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 reporting 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 statement of cash flows, 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).

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.

Loans and borrowings

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

Notes to the financial statements continued

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

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.

Share 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

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

	2011 $	2010 $
Note 2. Revenue from continuing operations		
Operating activities		
- services commissions	573,604	453,002
- other revenue	-	-
	573,604	**453,002**
Non-operating activities:		
- interest received	499	202
- other revenue	-	1,152
	499	**1,354**
	574,103	**454,356**

Notes to the financial statements continued

	2011 $	2010 $
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	214,997	202,358
- superannuation costs	28,749	22,531
- workers' compensation costs	727	735
- other costs	7,178	9,604
	251,651	**235,228**
Depreciation of non-current assets:		
- leasehold improvements	1,533	1,533
- furniture & fittings	9,135	12,534
- computer software	-	4,016
	10,668	**18,083**
Finance costs:		
- Interest paid	-	10
Bad debts	982	268

Note 4. Income tax expense

The prima facie tax on profit / (loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit / (loss) before income tax at 30%	23,723	(13,535)
Add tax effect of:		
- Origination and reversal of temporary differences	(4,221)	(4,895)
Current income tax expense / (benefit)	**19,502**	**(18,430)**
Income tax expense / (benefit)	**19,502**	**(18,430)**
Deferred tax assets		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**135,944**	**155,446**

Notes to the financial statements continued

	2011 $	2010 $

Note 5. Auditors' remuneration

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

	2011 $	2010 $
- Audit or review of the financial report of the Company	3,900	3,900
- Share registry services	-	1,625
	3,900	**5,525**

Note 6. Cash and cash equivalents

	2011 $	2010 $
Cash at bank and on hand	**93,347**	**22,753**

Note 7. Receivables

	2011 $	2010 $
Trade debtors	51,385	50,097
Other receivables	8,927	-
	60,312	**50,097**

Note 8. Property, plant and equipment

	2011 $	2010 $
Leasehold improvements		
At cost	61,328	61,328
Less accumulated depreciation	(5,906)	(4,373)
	55,422	**56,955**
Furniture and fittings		
At cost	122,639	121,548
Less accumulated depreciation	(81,681)	(72,546)
	40,958	**49,002**
Computer software		
At cost	10,409	10,409
Less accumulated depreciation	(10,409)	(10,409)
	-	**-**
Total written down amount	**96,380**	**105,957**

	2011 $	2010 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Leasehold improvements		
Carrying amount at beginning of year	56,955	58,488
Additions	-	-
Disposals	-	-
Depreciation expense	(1,533)	(1,533)
Carrying amount at end of year	**55,422**	**56,955**
Furniture and fittings		
Carrying amount at beginning of year	49,002	61,076
Additions	1,091	460
Disposals	-	-
Depreciation expense	(9,135)	(12,534)
Carrying amount at end of year	**40,958**	**49,002**
Computer software		
Carrying amount at beginning of year	-	4,016
Additions	-	-
Disposals	-	-
Depreciation expense	-	(4,016)
Carrying amount at end of year	**-**	**-**

Note 9. Payables

Trade creditors	20,646	21,498
Other creditors and accruals	6,092	11,525
	26,738	**33,023**

Notes to the financial statements continued

	2011 $	2010 $

Note 10. Provisions

Employee benefits	**14,187**	**15,747**
Movement in employee benefits		
Opening balance	15,747	15,243
Additional provisions recognised	17,474	18,094
Amounts utilised during the year	(19,034)	(17,590)
Closing balance	**14,187**	**15,747**

Note 11. Share capital

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

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

Note 12. Accumulated losses

Balance at the beginning of the financial year	(444,317)	(417,630)
Profit / (loss) after income tax	59,575	(26,687)
Dividends	-	-
Balance at the end of the financial year	**(384,742)**	**(444,317)**

Note 13. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	**93,347**	**22,753**

(b) Reconciliation of profit / (loss) after tax to net cash provided used in operating activities

Profit / (loss) after income tax	59,575	(26,687)
Non cash items		
- Depreciation	10,668	18,083

Notes to the financial statements continued

	2011 $	2010 $
Note 13. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(10,215)	(2,650)
- (Increase) decrease in deferred tax asset	19,502	(18,430)
- Increase (decrease) in payables	(6,285)	(7,691)
- Increase (decrease) in provisions	(1,560)	504
Net cash flows from / (used in) operating activities	**71,685**	**(36,871)**

Note 14. Director and related party disclosures

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

Marian Louise Dowling

Graham Robert Corless

Haley Tudor-Harrop

Paul Andrew Sladdin

Noel Francis Willaton

Anthony Ross Williams (resigned 9 November 2010)

Rowena Christine Ellis (resigned 31 May 2011)

Jayaram Kanuparthy Naidu

Richard Nigel Tucker (appointed 9 November 2010)

No Director or related entity has entered into a material contract with the Company. No Directors' fees have been paid as the positions are held on a voluntary basis.

Directors' shareholdings	**2011**	**2010**
Marian Louise Dowling	2,501	2,501
Graham Robert Corless	5,001	5,001
Haley Kate Tudor-Harrop	2,001	2,001
Paul Andrew Sladdin	-	-
Noel Francis Willaton	2,501	2,501
Anthony Ross Williams (resigned 9 November 2010)	5,001	5,001
Rowena Christine Ellis (resigned 31 May 2011)	-	-
Jayaram Kanuparthy Naidu	2,000	2,000
Richard Nigel Tucker (appointed 9 November 2010)	-	-

There were no movements in shares held during the year. Each share held has a paid up value of $1 and is fully paid.

Note 15. Subsequent events

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2011/12 financial year. The Company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 16. Contingent liabilities and assets

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

Note 17. Segment reporting

The economic entity operates in the financial services sector where 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 and principal place of business is: 96-98 High Street, Mansfield VIC 3722.

Note 19. Dividends paid or provided for on ordinary shares

The Directors recommend that no dividend be paid for the current year.

	2011 $	2010 $

Note 20. Earnings per share

Basic earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit / (loss) after income tax by the weighted average number of ordinary shares outstanding during the year (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:

	2011 $	2010 $
Profit / (loss) after income tax expense	**59,575**	**(26,687)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**755,660**	**755,660**

Note 21. 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.

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

	Carrying amount	
	2011	**2010**
	$	**$**
Cash assets	93,347	22,753
Receivables	60,312	50,097
	153,659	**72,850**

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

None of the assets of the Company are past due (2010: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

The Company limits its exposure to credit risk by only investing in liquid securities with Bendigo and Adelaide Bank 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.

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

Note 21. Financial risk management (continued)

(b) Liquidity risk (continued)

	Carrying amount $	Contractual cash flows $	1 year or less $	Over 1 to 5 years $	More than 5 years $
30 June 2011					
Payables	26,738	(26,738)	(26,738)	–	–
	26,738	**(26,738)**	**(26,738)**	**–**	**–**
30 June 2010					
Payables	33,023	(33,023)	(33,023)	–	–
	33,023	**(33,023)**	**(33,023)**	**–**	**–**

(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:

	Carrying amount	
	2011 $	2010 $
Fixed rate instruments		
Financial assets	15,000	-
Financial liabilities	-	-
	15,000	**-**
Variable rate instruments		
Financial assets	78,161	22,703
Financial liabilities	-	-
	78,161	**22,703**

Note 21. 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. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates 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 Statement of Financial Position. The Company does not have any unrecognised financial instruments at year 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 Statement of Financial Position.

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

(i) the Distribution Limit is the greater of:

  (a) 20% of the profit or funds of the 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 year ended 30 June 2011 can be seen in the Statement of Comprehensive Income.

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

Directors’ 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 2011 and of their performance for the year ended on that date; and

   (ii) complying with Accounting Standards in Australia, International Financial Reporting Standards and Corporations Regulations 2001;

(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 23 September 2011.

Richmond Sinnott & Delahunty
Chartered Accountants

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

SCOPE

The financial report comprises the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Mansfield & District Community Enterprises Ltd, for the year ended 30 June 2011.

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.

Partners: Kenneth J Richmond • Warren J Sinnott • Philip P Delahunty • Brett A Andrews
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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 2011 and of its performance for the year ended on that date;

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

(b) other mandatory professional reporting requirements in Australia.

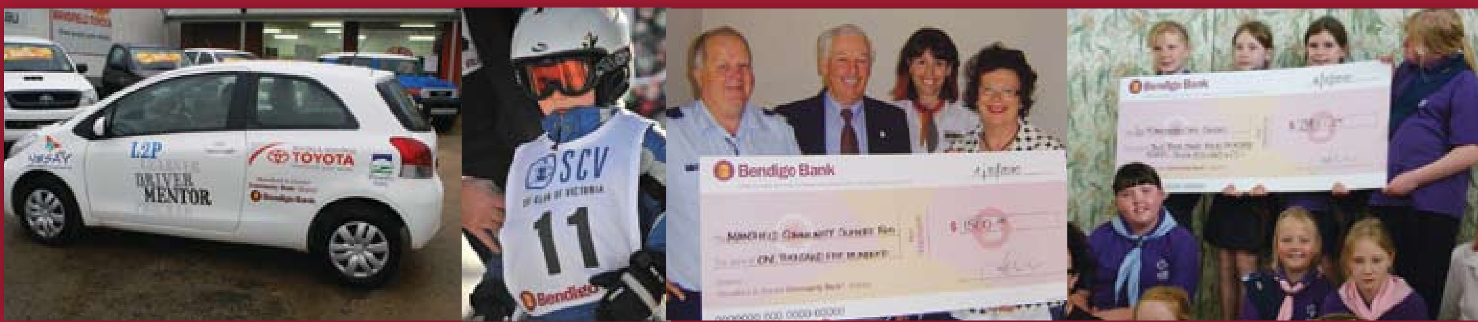
Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott.

W. J. SINNOTT
Partner
Bendigo

Date: 23 September 2011



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(BMPAR11073) (25/08)

Bendigo Bank