Mansfield & District **Community Bank®** Branch

annual report 2012

Mansfield & District
Community Enterprises Ltd

ABN 92 124 069 914

Contents

Chairman's report

For year ending 30 June 2012

It is with pleasure that I can report for the financial year ended 30 June 2012 that Mansfield & District Community Enterprises Limited reported a profit for the second year running of our five years in operation. Despite all the financial uncertainty around the world, we here in Mansfield have continued to support a locally owned and operated business, providing employment and delivering almost $200,000 into community projects over the past five years.

You will see from the financial reports that our profit is slightly down from the previous year, but we have been extremely conservative in our approach to spending to counterbalance rising wages costs and putting aside cash reserves for the payment of the franchise renewal with our partner, Bendigo and Adelaide Bank, in August 2012.

It is the Board's belief that the company has reached a sufficiently secure financial position to pay a four cent unfranked dividend to the current shareholders, equating to a 4% return on their capital investment in this one year. On behalf of all Directors both past and present, I would like to express my sincere thanks to those shareholders who have patiently supported the company.

For those shareholders who are also customers of the branch, to each and every one of you, thank you for your commitment.

Unfortunately throughout the year we have lost the services of some of our valued Directors. I would highlight that the number of voluntary hours required to commit to the successful running of the company can at times be onerous and priorities need to be addressed as they arise. I thank Richard, Craig and Uschi for there generous commitment as life has taken a different turn for them.

Consequently the remaining Directors, with support from Bendigo and Adelaide Bank, carefully reviewed its structure and set out on a targeted recruitment process to bring to the Board the highly desirable skills required to take the company into its next strategic phase. This process has been extremely successful, and it is with renewed enthusiasm and confidence that your Board of Directors steer the company into the future.

Our budget projections for the 2012/13 year were set in April 2012 and our process is to continue with guarded enthusiasm as we monitor our income stream which is highly influenced by global markets. As an organisation, our focus will be on significantly increasing customer numbers and, with your support, this can be achieved.

Marian Dowling
Chairman

Manager's report

For year ending 30 June 2012

This is the completion of our fifth financial year of operation and support for our branch remains strong. Following another very good performance our total portfolio stands at $81.2 million with 2,510 accounts.

Locally we have continued to support a number of community groups and projects throughout the year with the most notable being a commitment given to the L2P program, a learner driver mentor program assisting learners under 21 years of age who do not have access to a supervising driver or vehicle, to gain the driving experience required to apply for a probationary licence.

There are many other large and small local projects we have contributed to, and I encourage you to come into the Branch to find out more about how we offer a **Community Bank®** model quite different to our competitors.

I would like to thank our staff, Ninel, Terri, Adam, and Ryan for their continued support over the year and the great service they provide to our customers.

All staff will continue to have a strong focus on assisting and maintaining the branch's reputation of providing quality customer service.

Mansfield & District **Community Bank®** Branch continues to support its customers and partners, assisting them to meet their financial goals.

I remain proud of this organisation as we continue to:

- provide local banking with quality customer service levels
- return funds to, and be involved in, the local community.

Thankyou to all shareholders and clients for your continued support and we look forward to a successful 2012/13 year.

Vanessa Skinner
Branch Manager

Directors' report

For the financial year ended 30 June 2012

Your Directors submit their report of the company for the financial year ended 30 June 2012.

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
Board member since February 2007

Noel Francis Willaton
Director
Systems Analyst
Board member since February 2007

Richard Nigel Tucker (resigned 2 March 2012)
Director/Treasurer
Retired Insurance Broker
Board member since November 2010

Jayaram Kanuparthy Naidu (resigned 8 November 2011)
Director
Retired Accountant
Board member since May 2009

Craig Edwin Willingham (resigned 27 July 2012)
Director
Risk Consultant
Board member since November 2011

Phillip Michael Alexander
Director
Consultant Civil Engineer
Board member since May 2012

Haley Kate Tudor-Harrop
Director/Secretary
Accountant
Board member since January 2008

Graham Robert Corless (resigned 8 November 2011)
Director
Company Director
Board member since February 2007

Paul Andrew Sladdin
Director/Vice Chairman
Chief Executive Officer
Board member since November 2009

Uschi Hilde Steedman (resigned 25 May 2012)
Director
Consulting Facilitator
Board member since November 2011

Travis Eric Mullavey
Director
Business Owner
Board member since May 2012

Mandy Kynnersley
Director/Treasurer
Chartered Accountant
Board member since August 2012

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.

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

Operating results

The profit of the company for the financial year after provision for income tax was $40,309. (2011: $59,575).

Financial position

The net assets of the company have increased from $345,058 at 30 June 2011 to $385,367 at 30 June 2012.

The increase is largely due to operating performance of the company.

Dividends

There was no dividend paid or provided for in the financial statements for year ended 30 June 2012.

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.

Events after the reporting period

The Directors resolved to pay a 4 cent dividend to shareholders on 24 August 2012, the dividend is to be paid to shareholders in December 2012.

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 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.

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

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.

Indemnifying Officers or Auditor

The company has agreed to indemnify each Officer (Director, Secretary or employee) out of assets of the company to the relevant extent against any liability incurred by that person arising out of the discharge of their duties, except where the liability arises out of conduct involving dishonesty, negligence, breach of duty or the lack of good faith. The company also has Officers Insurance for the benefit of Officers of the company against any liability occurred by the Officer, which includes the Officer's liability for legal costs, in or arising out of the conduct of the business of the company or in or arising out of the discharge of the Officer's duties.

Disclosure of the nature of the liability and the amount of the premium is prohibited by the confidentiality clause of the contract of insurance. The company has not provided any insurance for an Auditor of the company.

Directors' meetings

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

Director	Board meeting#	Audit & Governance Committee#
Marian Louise Dowling	10 (10)	1 (1)
Haley Kate Tudor-Harrop	7 (10)	1 (1)
Noel Francis Willaton	10 (10)	N/A
Graham Robert Corless (resigned 8 November 2011)	4 (5)	N/A
Richard Nigel Tucker (resigned 2 March 2012)	6 (7)	N/A
Paul Andrew Sladdin	6 (10)	N/A
Jayaram Kanuparthy Naidu (resigned 8 November 2011)	3 (5)	1 (1)
Uschi Hilde Steedman (resigned 25 May 2012)	4 (7)	N/A
Craig Edwin Willingham (resigned 27 July 2012)	4 (6)	N/A
Travis Eric Mullavey	2 (2)	N/A
Phillip Michael Alexander	2 (2)	N/A
Michael Donald Irwin	1 (2)	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 Haley Tudor-Harrop;

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

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

Auditor independence declaration

The Auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 8 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Mansfield on 28 September 2012.

Marian Louise Dowling
Director

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

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Bendigo, Victoria
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20 September 2012

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

To the Directors of Mansfield & District Community Enterprises Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

I declare that to the best of my knowledge and belief, during the year ended 30 June 2012 there has 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.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Sinnott.

Warren Sinnott
Partner
Dated at Bendigo, 20 September 2012

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott, Cara Hall, Brett Andrews, Philip Delahunty, Kathie Teasdale, David Richmond

Financial statements

Statement of comprehensive income
for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	635,249	574,103
Employee benefits expense	3	(276,248)	(251,651)
Depreciation and amortisation expense	3	(15,453)	(10,668)
Finance costs	3	(1,452)	-
Other expenses		(225,794)	(212,635)
Operating profit/(loss) before charitable donations & sponsorships		**116,302**	**99,149**
Charitable donations and sponsorship		(67,439)	(20,072)
Profit/(loss) before income tax expense		**48,863**	**79,077**
Income tax expense / (benefit)	4	8,554	19,502
Net Profit/(loss) for the year		**40,309**	**59,575**
Other comprehensive income		-	-
Total comprehensive income for the year		**40,309**	**59,575**
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	5.33	7.88
- diluted for profit / (loss) for the year	22	5.33	7.88

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current assets			
Cash and cash equivalents	6	157,921	93,347
Receivables	7	68,202	60,312
Total current assets		**226,123**	**153,659**
Non-current assets			
Property, plant and equipment	8	113,130	96,380
Intangible assets	9	74,291	-
Deferred tax assets	4	127,390	135,944
Total non-current assets		**314,811**	**232,324**
Total assets		**540,934**	**385,983**
Liabilities			
Current liabilities			
Payables	10	111,672	26,738
Provisions	11	14,103	14,187
Loans and borrowings	12	8,091	-
Total current liabilities		**133,866**	**40,925**
Non-current liabilities			
Loans and borrowings	12	21,701	-
Total non-current liabilities		**21,701**	**-**
Total liabilities		**155,567**	**40,925**
Net assets		**385,367**	**345,058**
Equity			
Issued capital	13	729,800	729,800
Accumulated losses	14	(344,433)	(384,742)
Total equity		**385,367**	**345,058**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		687,357	652,100
Cash payments in the course of operations		(548,137)	(580,914)
Interest paid		(1,452)	-
Interest received		3,508	499
Net cash flows from / (used in) operating activities	**15b**	**141,276**	**71,685**
Cash flows from investing activities			
Payments for property, plant and equipment		(32,203)	(1,091)
Purchase of intangible assets		(74,291)	-
Net cash flows used in investing activities		**(106,494)**	**(1,091)**
Cash flows from financing activities			
Proceeds from borrowings		29,792	-
Net cash flows from / (used in) financing activities		**29,792**	**-**
Net increase / (decrease) in cash held		**64,574**	**70,594**
Cash and cash equivalents at start of year		93,347	22,753
Cash and cash equivalents at end of year	**15a**	**157,921**	**93,347**

The accompanying notes form part of these financial statements.

Statement of changes in equity for the year ended 30 June 2012

	Note	2012 $	2011 $
Issued 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		(384,742)	(444,317)
Net profit/(loss) for the year		40,309	59,575
Dividends paid	21	-	-
Balance at end of year		**(344,433)**	**(384,742)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Mansfield & District Community Enterprises Ltd ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing **Community Bank®** services.

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authorative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The company is a for profit entity for financial reporting purposes under Australian Accounting Standards.

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

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 20 September 2012.

(b) Income tax

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.

(c) 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.

Notes to the financial statements (continued)

Note 1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment 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.

(e) 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 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.

Note 1. Summary of significant accounting policies (continued)

(f) 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.

(g) Intangibles

Establishment costs have been initially recorded at cost and amortised on a straight line basis at a rate of 20% per annum. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(h) 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.

(i) Revenue

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

(j) 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.

(k) New accounting standards for application in future periods

Australian Accounting Standards that have been recently issued or amended but not yet effective have not been adopted in the preparation of these financial statements. These changes have been assessed by Directors and determined they will not have a material impact on the company's financial statements.

(l) Borrowings

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

(m) Provisions

Provisions are recognised when the company 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.

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company. Estimates and judgements are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The estimates and judgements that have a significant risk of causing material adjustments to the carrying values of assets and liabilities are as follows:

Estimation of useful lives of assets

The company determines the estimated useful lives and related depreciation and amortisation changes for its property, plant and equipment and intangible assets. The depreciation and amortisation charge will increase where useful lives are less than previously estimated lives.

Income tax

The company is subject to income tax. Significant judgement is required in determining the provision for income tax.

Impairment

The company assesses impairment at the end of each reporting period by calculating conditions and events specific to the company that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value in use calculations which incorporate various key assumptions.

(q) 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 transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method or cost. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Note 1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Classification and subsequent measurement (continued)

Amortised costs is calculated as the amount which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

(i) 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.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the company assesses whether there is objective evidence that a financial asset has been impaired. A financial asset is deemed impaired if and only if, there is objective evidence of impairment as a result of one or more events (a loss event) having occurred, which has an impact on the estimated future cash flows of the financial asset. In the case of financial assets carried at amortised cost, loss events may include indications that the debtors are experiencing significant financial difficulty or changes in economic conditions.

	2012 $	2011 $

Note 2. Revenue

Revenue from continuing activities		
- services commissions	631,741	573,604
Other revenue		
- interest received	3,508	499
	635,249	**574,103**

Note 3. Expenses

Employee benefits expense		
- wages and salaries	242,774	214,997
- superannuation costs	28,764	28,749
- workers' compensation costs	752	727
- other costs	3,958	7,178
	276,248	**251,651**

	2012 $	2011 $
Note 3. Expenses (continued)		
Depreciation of non-current assets:		
- leasehold improvements	1,534	1,533
- furniture & fittings	8,276	9,135
- motor vehicle	5,643	-
	15,453	**10,668**
Finance costs:		
- Interest paid	1,452	-
Bad debts	37	982

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit / (loss) before income tax at 30%	14,659	23,723
Add tax effect of:		
- Origination and reversal of temporary differences	(6,105)	(4,221)
Current income tax expense / (benefit)	**8,554**	**19,502**
Income tax expense / (benefit)	**8,554**	**19,502**
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.	**127,390**	**135,944**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

	2012 $	2011 $
- Audit or review of the financial report	**3,900**	**3,900**

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank and on hand	**157,921**	**93,347**

Note 7. Receivables

	2012 $	2011 $
Trade debtors	62,056	51,385
Other receivables	6,146	8,927
	68,202	**60,312**

	2012 $	2011 $

Note 8. Property, plant and equipment

	2012 $	2011 $
Leasehold improvements		
At cost	61,647	61,328
Less accumulated depreciation	(7,440)	(5,906)
	54,207	**55,422**
Furniture and fittings		
At cost	123,699	122,639
Less accumulated depreciation	(89,957)	(81,681)
	33,742	**40,958**
Computer software		
At cost	10,409	10,409
Less accumulated depreciation	(10,409)	(10,409)
	-	**-**
Motor vehicle		
At cost	30,824	-
Less accumulated depreciation	(5,643)	-
	25,181	**-**
Total written down amount	**113,130**	**96,380**
Movements in carrying amounts		
Leasehold improvements		
Carrying amount at beginning of year	55,422	56,955
Additions	319	-
Disposals	-	-
Depreciation expense	(1,534)	(1,533)
Carrying amount at end of year	**54,207**	**55,422**
Furniture and fittings		
Carrying amount at beginning of year	40,958	49,002
Additions	1,060	1,091
Disposals	-	-
Depreciation expense	(8,276)	(9,135)
Carrying amount at end of year	**33,742**	**40,958**

	2012 $	2011 $

Note 8. Property, plant and equipment (continued)

	2012 $	2011 $
Motor vehicle		
Carrying amount at beginning of year	-	-
Additions	30,824	-
Disposals	-	-
Depreciation expense	(5,643)	-
Carrying amount at end of year	**25,181**	**-**

Note 9. Intangible assets

	2012 $	2011 $
Franchise fee - at cost	11,537	-
Less accumulated amortisation	-	-
	11,537	**-**
Renewal cost recovery fee - at cost	57,684	-
Less accumulated amortisation	-	-
	57,684	**-**
Training fee - at cost	4,583	-
Less accumulated amortisation	-	-
	4,583	**-**
Borrowing costs - at cost	569	-
Less accumulated amortisation	(82)	-
	487	**-**
	74,291	

Note 10. Payables

	2012 $	2011 $
Trade creditors	106,079	20,646
Other creditors and accruals	5,593	6,092
	111,672	**26,738**

	2012 $	2011 $

Note 11. Provisions

Employee benefits	**14,103**	**14,187**
Movement in employee benefits		
Opening balance	14,187	15,747
Additional provisions recognised	22,558	17,474
Amounts utilised during the year	(22,642)	(19,034)
Closing balance	**14,103**	**14,187**

Note 12. Loans and borrowings

Current		
Chattel mortgage	**8,091**	**-**
Non-current		
Chattel mortgage	**21,701**	**-**

Note 13. 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**

The company has authorised share capital amounting to 755,660 ordinary shares.

Note 14. Accumulated losses

Balance at the beginning of the financial year	(384,742)	(444,317)
Profit / (loss) after income tax	40,309	59,575
Balance at the end of the financial year	**(344,433)**	**(384,742)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents		
Cash assets	**157,921**	**93,347**
(b) Reconciliation of profit / (loss) after tax to net cash provided used in operating activities		
Profit / (loss) after income tax	40,309	59,575
Non cash items		
- Depreciation	15,453	10,668

	2012 $	2011 $
Note 15. Statement of cash flows (continued)		
Changes in assets and liabilities		
- (Increase) decrease in receivables	(7,890)	(10,215)
- (Increase) decrease in borrowing costs	-	-
- (Increase) decrease in deferred tax asset	8,554	19,502
- Increase (decrease) in payables	84,934	(6,285)
- Increase (decrease) in provisions	(84)	(1,560)
Net cash flows from / (used in) operating activities	**141,276**	**71,685**

Note 16. Director and related party disclosures

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

Marian Louise Dowling
Haley Kate Tudor-Harrop
Noel Francis Willaton
Graham Robert Corless (resigned 8 November 2011)
Richard Nigel Tucker (resigned 2 March 2012)
Paul Andrew Sladdin
Jayaram Kanuparthy Naidu (resigned 8 November 2011)
Uschi Hilde Steedman (appointed 8 November 2011, resigned 25 May 2012)
Criag Edwin Willingham (appinted 8 November 2011, resigned 27 July 2012)
Travis Eric Mullavey
Phillip Michael Alexander
Michael Donald Irwin

No 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	2012	2011
Marian Louise Dowling	2,501	2,501
Haley Kate Tudor-Harrop	2,001	2,001
Noel Francis Willaton	2,501	2,501
Graham Robert Corless (resigned 8 November 2011)	5,001	5,001
Richard Nigel Tucker (resigned 2 March 2012)	1	-
Paul Andrew Sladdin	1	-
Jayaram Kanuparthy Naidu (resigned 8 November 2011)	2,000	2,000
Uschi Hilde Steedman (appointed 8 November 2011, resigned 25 May 2012)	1	-
Criag Edwin Willingham (appinted 8 November 2011, resigned 27 July 2012)	1	-
Travis Eric Mullavey	-	-

Note 16. Director and related party disclosures (continued)

Directors' shareholdings (continued)	**2012**	**2011**
Phillip Michael Alexander	-	-
Michael Donald Irwin	-	-

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 17. Events after the reporting period

The Directors resolved to pay a 4 cent dividend to shareholders on the 24th August 2012, the dividend is to be paid to shareholders in December 2012.

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 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 18. Contingent liabilities and assets

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

Note 19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Mansfield, Victoria. The company has a franchise agreement in place with Bendigo and Adelaide Bank who account for 100% of the revenue (2011: 100%).

Note 20. 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 21. Dividends paid or provided for on ordinary shares

There was no dividend paid or provided for in the financial statements for year ended 30 June 2012.

	2012 $	2011 $

Note 22. 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:

	2012 $	2011 $
Profit / (loss) after income tax expense	**40,309**	**59,575**
Weighted average number of ordinary shares for basic and diluted earnings per share	**755,660**	**755,660**

Note 23. Financial risk management

The company's financial instruments consist mainly of deposits with banks, account receivables and payables, bank overdraft and loans.

The totals for each category of financial instruments measured in accordance with AASB 139 are as follows:

	Note	2012 $	2011 $
Financial assets			
Cash & cash equivalents	6	157,921	93,347
Receivables	7	68,202	60,312
Total financial assets		**226,123**	**153,659**
Financial liabilities			
Payables	10	111,672	26,738
Loans and borowings	12	29,792	
Total financial liabilities		**141,464**	**26,738**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established 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 23. Financial risk management (continued)

Specific financial risk exposure and management

The company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments. There have been no substantive changes in the types of risks the company is exposed to, how the risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

(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	
	2012 **$**	**2011** **$**
Cash and cash equivalents	157,921	93,347
Receivables	68,202	60,312
	226,123	**153,659**

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

None of the assets of the company are past due (2011: 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.

(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 23. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(111,672)	(111,672)	–	–
Loans and borrowings	(29,792)	(8,091)	(21,701)	–
Total expected outflows	**(141,464)**	**(119,763)**	**(21,701)**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	157,921	157,921	–	–
Receivables	68,202	68,202	–	–
Total anticipated inflows	**226,123**	**226,123**	**–**	**–**
Net (outflow)/inflow on financial instruments	**84,659**	**106,360**	**(21,701)**	**–**

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(26,738)	(26,738)	–	–
Loans and borrowings	-	-	–	–
Total expected outflows	**(26,738)**	**(26,738)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	93,347	93,347	–	–
Receivables	60,312	60,312	–	–
Total anticipated inflows	**153,659**	**153,659**	**–**	**–**
Net (outflow)/inflow on financial instruments	**126,921**	**126,921**	**–**	**–**

Financial assets pledged as collateral

There are no material amounts of collateral held as security as at 30 June 2012 and 30 June 2011.

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

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	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	92,527	-
Financial liabilities	(29,792)	-
	62,735	**-**
Floating rate instruments		
Financial assets	65,294	93,267
Financial liabilities	-	-
	65,294	**93,267**

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 2011 there was also no impact. As at both dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

The fair values of financial assets and liabilities approximate the carrying values as disclosed in the Statement of Financial Position. Fair value is the amount at which an asset could be exchanged, or liability settled, between knowledgeable, willing parties in an arm's length transaction. The company does not have any unrecognised financial instruments at year end.

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.

Note 23. Financial risk management (continued)

(d) Price risk (continued)

Capital management (continued)

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 2012 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

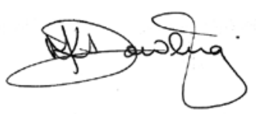
In accordance with a resolution of the Directors of Mansfield & District Community Enterprises Ltd, the Directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 9 to 28 are in accordance with the Corporations Act 2001 and:

   (i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the company's financial position as at 30 June 2012 and of the performance for the year ended on that date;

2 in the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Marian Louise Dowling
Director

Signed at Mansfield on 28 September 2012.

Richmond
Sinnott &
Delahunty
Chartered Accountants

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

Report on the Financial Report

We have audited the accompanying financial report of Mansfield & District Community Enterprises Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company for the year ended 30 June 2012.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

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

Richmond Sinnott & Delahunty
ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Partners:
Warren Sinnott
Cara Hall
Brett Andrews
Philip Delahunty
Kathie Teasdale
David Richmond

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.

Auditor's Opinion

In our opinion:

(a) the financial report of Mansfield & District Community Enterprises Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 20 September 2012

Mansfield & District **Community Bank®** Branch
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ABN: 92 124 069 914
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Bendigo Bank

(BMPAR12068) (08/12)