Donnybrook Capel Districts Community Financial Services Limited

ABN 23 103 003 416

2008 annualreport

Contents

Chairman's report

For year ending 30 June 2008

On behalf of the Board of Directors, I am pleased to announce to our shareholders that this year we have reached our goal of profitability. Our expectation of continued growth and profitability will mean that we can continue to focus on our three main aims;

- To provide premium banking services to the Donnybrook and Capel communities, together with providing local employment.
- To continue to provide community sponsorships and grants to various community organisations and initiatives.
- To reward our shareholders by means of dividend payments.

During the 2007/08 financial year we have progressed well towards fulfilling these aims, with our branches now employing eight local staff. Congratulations to our General Manager, David Forster and the dedicated staff at both branches for their continued efforts and loyalty.

Our commitment to the community has resulted in our providing $15,000 in sponsorship to be made available to community clubs and organisations to fund worthy projects. Another major initiative the Board has decided to sponsor is the funding of a camp for all Year 7 students from both Shire areas. The camp will be held in May 2009, with the view of continuing this annually into the future. We view the investment in the youth of our communities and their future leadership potential as being a very worthy project.

Once again we have also supported the Shire of Donnybrook and the Shire of Capel by sponsoring the rates incentive scheme to the value of $2000 and we look forward to providing many other sponsorship opportunities to enrich our communities.

Our next priority is to ensure a return to our shareholders. Based on the Company's current performance and budget forecasts, we look forward to being able to do so in the very near future and we thank you for your continued support and patience.

During the year, my fellow directors have once again dedicated their time and efforts on a voluntary basis to ensure the continued growth of the Company. Strategic plans have been put in place to best manage the future of the Company as we continue to grow and prosper.

Robert Witten

Chairman

Manager's report

For year ending 30 June 2008

It has been though the hard work and determination of our staff at Donnybrook and Capel branches and the support of our local communities that we can announce our first profitable year. Our performance over the past year has been strong and the outlook for the next financial year is very positive.

This is a very exciting time for our **Community Bank®** branch, as profitability means we can fulfill the three promises made at the outset. These include returning full banking services back to our local communities, providing a return to shareholders and funding projects, sponsorships and grants for the benefit of our local communities.

I take this opportunity to thank our staff for providing such tremendous service and support to our clients over the past 12 months. It is our service which differentiates us from our competitors. On behalf of our staff, I would like to also thank our clients for their business. We look forward to continuing to meet your requirements in the years ahead.

Our objective this year is to continue to grow profits through acquiring greater market share of local business and encouraging all residents of Capel and Donnybrook-Balingup Shires to bank with us. With the expected long term growth in both shires, we are in a good position to capitalise business opportunities by providing a broad range of consumer, business and agri-business products. Our clients certainly appreciate that we are local and can be contacted directly.

Our aim is to distribute as much money as possible back into the community for the benefit of all.

David Forster

Manager

Directors' report

For year ending 30 June 2008

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

Directors

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

Robert Malcolm Witten
Chairman
Business Proprietor

Kingsley John Smith
Director
Chartered Accountant

Sandra Jean Goddard
Director
Veterinary Surgeon & Farmer

Walter Bruce Hearman
Director
Farmer and Business Manager

Filip Guglielmana
Director
Business Proprietor

Neil Bjerring Riising
Director
Farmer & Earthmoving Contractor

Bernard Kent Masters
Director
Environmental Geologist

Mark John Bennett
Director
Business Proprietor

Angelo Terzo Logiudice
Director
Orchadist & Business Proprietor

Directors were in office for this entire year unless otherwise stated.

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 Limited.

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

Operating Results

Operations for the financial year have resulted in a profit after tax of $23,178 (2007: loss of $69,646).

Dividends

No dividends were declared or paid for the previous year and the directors recommend that no dividend be paid for the current 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

There are no 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.

Directors' benefits

Robert Witten is the Capel bank premises landlord and was paid $17,720 (2007: $17,720) for the year ended 30 June 2008. Rent was paid at normal commercial rates.

No other 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 indemnified all Directors and the Manager in respect of liabilities to other persons (other than the Company or related body corporate) that may arise from their position as Directors or Managers of the Company except where the liability arises out of conduct involving the lack of good faith.

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

Directors' report continued

Directors meetings

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

Number of meetings attended:	Number eligible to attend	Number attended
Kingsley John Smith	11	8
Walter Bruce Hearman	11	5
Robert Malcolm Witten	11	11
Sandra Jean Goddard	11	9
Neil Bjerring Riising (leave of absence granted)	11	0
Filip Majella Guglielmana	11	11
Bernard Kent Masters	11	11
Mark John Bennett	11	8
Angelo Terzo Logiudice	11	10

Company Secretary

Linda Hay has been the Company secretary of Donnybrook Capel Districts Community Financial Services Ltd since August 2005. Her qualifications include a Bachelor of Business, Accounting.

Corporate governance

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

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

b) Ongoing Director training; and

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

Auditor independence declaration

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

Richmond Sinnott & Delahunty
Chartered Accountants

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

In relation to our audit of the financial report of Donnybrook Capel District Community Financial Services for the financial year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

19 August 2008

Signed in accordance with a resolution of the Board of Directors at Donnybrook, Western Australia on 19 August 2008.

Robert Malcolm Witten, Chairman

Richmond Sinnott & Delahunty
Chartered Accountants

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

19 August 2008

The Directors
Donnybrook Capel District Community Financial Services Limited
PO Box 501
CAPEL WA 6271

Dear Directors

Auditor's Independence Declaration

In relation to our audit of the financial report of Donnybrook Capel District Community Financial Services Limited for the year ended 30 June 2008, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott
Partner
Richmond Sinnott & Delahunty

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ABN 60 616 244 309
Liability limited by a scheme approved under Professional Standards Legislation

Financial statements

Income statement
For year ending 30 June 2008

	Note	2008 $	2007 $
Revenues from ordinary activities	2	618,670	456,153
Employee benefits expense	3	(307,235)	(275,105)
Charitable donations and sponsorship		(4,230)	(4,062)
Depreciation and amortisation expense	3	(47,728)	(52,708)
Finance costs	3	(26,451)	(29,039)
Administration & other expenses from ordinary activities		**(193,615)**	**(191,545)**
Profit / (loss) before income tax payable		39,411	(96,306)
Income tax (expense) / benefit	4	(16,233)	26,660
Profit / (loss) after income tax expense		**23,178**	**(69,646)**
Earnings per share (cents per share)		**Cents Per Share**	
- basic for profit / (loss) for the year	21	3.51	(10.55)
- diluted for profit / (loss) for the year	21	3.51	(10.55)

The accompanying notes form part of these financial statements.

Balance sheet
As at 30 June 2008

	Note	2008 $	2007 $
Current assets			
Cash assets	6	47,468	300
Receivables	7	67,576	48,949
Total current assets		**115,044**	**49,249**
Non-current assets			
Property, plant and equipment	8	7,849	41,577
Deferred income tax asset	4	249,770	266,003
Intangible assets	9	-	14,000
Total non-current assets		**257,619**	**321,580**
Total assets		**372,663**	**370,829**
Current liabilities			
Payables	10	40,555	32,946
Interest bearing liabilities	11	310,038	345,692
Provisions	12	24,651	17,950
Total current liabilities		**375,244**	**396,588**
Total liabilities		**375,244**	**396,588**
Net assets / (liabilities)		**(2,581)**	**(25,759)**
Equity			
Share capital	13	660,435	660,435
Accumulated losses	14	(663,016)	(686,194)
Total equity		**(2,581)**	**(25,759)**

The accompanying notes form part of these financial statements.

Statement of cash flows
As at 30 June 2008

	Note	2008 $	2007 $
Cash flows from operating activities			
Cash receipts in the course of operations		659,747	493,640
Cash payments in the course of operations		(550,474)	(505,464)
Interest paid		(26,451)	(29,039)
Net cash flows from / (used in) operating activities	**15b**	**82,822**	**(40,863)**
Cash flows from financing activities			
Proceeds from borrowings		-	310,000
Net cash flows from financing activities		-	310,000
Net increase in cash held		82,822	269,137
Add opening cash brought forward		(35,392)	(304,529)
Closing cash carried forward	**15a**	**47,430**	**(35,392)**

The accompanying notes form part of these financial statements.

Statement of changes in equity
As at 30 June 2008

	Note	2008 $	2007 $
Share capital			
Ordinary shares			
Balance at start of year		**660,435**	**660,435**
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		**660,435**	**660,435**
Retained earnings / (accumulated losses)			
Balance at start of year		**(686,194)**	**(616,548)**
Profit / (loss) after income tax expense		23,178	(69,646)
Dividends paid		-	-
Balance at end of year		**(663,016)**	**(686,194)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ending 30 June 2008

Note 1. Basis of preparation of the Financial Report

(a) Basis of accounting

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

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

The financial report was authorised for issue by the Directors on 19 August 2008.

(b) Statement of compliance

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

(c) Significant accounting policies

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 2007 financial statements.

Income tax

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

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

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

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

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

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.

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

Class of Asset	Depreciation Rate
Property, plant & equipment	20%

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.

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.

Receivables and payables

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

Interest bearing liabilities

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

Provisions

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

Notes to the financial statements continued

Note 1. Basis of preparation of the Financial Report (continued)

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

Contributed capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Note 2. Revenue from ordinary activities

	2008 $	2007 $
Operating activities		
- franchise margin income	366,452	276,346
- services commissions	118,655	79,561
- other revenue	133,490	100,246
Total revenue from operating activities	618,597	456,153
Non-operating activities:		
- interest received	73	-
Total revenue from non-operating activities	**73**	**-**
Total revenue from ordinary activities	**618,670**	**456,153**

Notes to the financial statements continued

	2008 $	2007 $

Note 3. Expenses

Employee benefits expense		
- wages and salaries	267,252	237,832
- superannuation costs	22,591	20,554
- other costs	17,392	16,719
	307,235	**275,105**
Depreciation of non-current assets:		
- plant and equipment	33,728	34,708
Amortisation of non-current assets:		
- intangibles	14,000	18,000
	47,728	**52,708**
Finance costs:		
- interest paid	26,451	29,039
Bad debts	419	1,908

Note 4. Income tax expense

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

Prima facie tax on profit/(loss) before income tax at 30%	11,823	(28,892)
Add tax effect of:		
- Non-deductible expenses	4,410	2,232
Current income tax expense / (benefit)	16,233	(26,660)
Income tax expense / (benefit)	16,233	(26,660)
Deferred income tax asset		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	249,770	266,003

Notes to the financial statements continued

	2008 $	2007 $

Note 5. Auditors' remuneration

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

	2008 $	2007 $
- Audit or review of the financial report of the Company	3,650	3,650

Note 6. Cash assets

	2008 $	2007 $
Cash at bank	47,168	-
Cash on hand	300	300
	47,468	**300**

Note 7. Receivables

	2008 $	2007 $
Trade debtors	67,576	43,881
Prepayments and other debtors	-	5,068
	67,576	**48,949**

Note 8. Property, plant and equipment

	2008 $	2007 $
Computer software		
At cost	24,703	24,703
Less accumulated depreciation	(23,668)	(21,570)
	1,035	**3,133**
Building improvements		
At cost	128,421	128,421
Less accumulated depreciation	(122,629)	(97,125)
	5,792	**31,296**
Furniture & fittings		
At cost	20,421	20,421
Less accumulated depreciation	(19,399)	(13,273)
	1,022	**7,148**
Total written down amount	**7,849**	**41,577**

Notes to the financial statements continued

	2008 $	2007 $

Note 8. Property, plant and equipment (continued)

Movements in carrying amounts

Computer software

Carrying amount at beginning of year	**3,133**	**8,073**
Additions	-	-
Disposals	-	-
Depreciation expense	(2,098)	(4,940)
Carrying amount at end of year	**1,035**	**3,133**

Building improvements

Carrying amount at beginning of year	**31,296**	**56,980**
Additions	-	-
Disposals	-	-
Depreciation expense	(25,504)	(25,684)
Carrying amount at end of year	**5,792**	**31,296**

Furniture & fittings

Carrying amount at beginning of year	**7,148**	**11,232**
Additions	-	-
Disposals	-	-
Depreciation expense	(6,126)	(4,084)
Carrying amount at end of year	**1,022**	**7,148**

	2008 $	2007 $

Note 9. Intangible assets

	2008 $	2007 $
Franchise fee		
At cost	60,000	60,000
Less accumulated amortisation	(60,000)	(49,000)
	-	**11,000**
Training costs		
At cost	30,000	30,000
Less accumulated amortisation	(30,000)	(27,000)
	-	**3,000**
	-	**14,000**

Note 10. Payables

	2008 $	2007 $
Trade creditors	10,360	9,714
Other creditors and accruals	30,195	23,232
	40,555	**32,946**

Note 11. Interest bearing liabilities

	2008 $	2007 $
Credit card	38	747
Bank loan	310,000	310,000
Bank overdraft	-	34,945
	310,038	**345,692**

The bank loan matures in October 2011 and is an interest only fixed rate loan with an interest rate of 7.7% per annum.

Note 12. Provisions

	2008 $	2007 $
Employee benefits	24,651	17,950
Number of employees at year end	10	10

Notes to the financial statements continued

	2008 $	2007 $

Note 13. Share capital

Ordinary Shares fully paid of $1 each	660,435	660,435

Note 14. Accumulated losses

Balance at the beginning of year	(686,194)	(616,548)
Net profit / (loss) from ordinary activities after income tax	23,178	(69,646)
Balance at the end of year	**(663,016)**	**(686,194)**

Note 15. Cash flow statement

(a) Reconciliation of cash

Cash at bank	47,468	300
Credit card	(38)	(747)
Bank overdraft	-	(34,945)
	47,430	**(35,392)**

(b) Reconciliation of profit / (loss) after tax to net cash from operating activities

Profit / (loss) after income tax	23,178	(69,646)
Non cash items		
- Depreciation	33,728	34,708
- Amortisation	14,000	18,000
Changes in assets and liabilities		
- (Increase) decrease in receivables	(18,627)	(8,521)
- Increase (decrease) in provisions	6,701	8,390
- Increase (decrease) in payables	7,609	2,866
- (Increase) decrease in deferred income tax asset	16,233	(26,660)
Net cashflows provided from / (used in) operating activities	82,822	(40,863)

	2008 $	2007 $

Note 16. Directors and related party disclosures

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

Kingsley John Smith

Walter Bruce Hearman

Robert Malcolm Witten

Sandra Jean Goddard

Neil Bjerring Riising

Filip Majella Guglielmana

Bernard Kent Masters

Mark John Bennett

Angelo Terzo Logiudice

Robert Witten is the Capel bank premises landlord and was paid $17,720 (2007: $17,720) for the year ended 30 June 2008. Rent was paid at normal commercial rates. No other Directors have material interests in contracts or proposed contracts with the Company. No Director's fees have been paid as the positions are held on a voluntary basis.

Directors shareholdings	**2008**	**2007**
Kingsley John Smith	5,000	5,000
Walter Bruce Hearman	2,000	2,000
Robert Malcolm Witten	2,000	2,000
Sandra Jean Goddard	2,100	2,100
Neil Bjerring Riising	10,000	10,000
Filip Majella Guglielmana	500	500
Bernard Kent Masters	5,000	5,000
Mark John Bennett	10,000	10,000
Angelo Terzo Logiudice	250	250

There was no movement in directors shareholdings during the year. Each share held has a paid up value of $1 and is fully paid.

Notes to the financial statements continued

Note 17. Subsequent events

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

Note 18. Contingent liabilities

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

Note 19. Segment reporting

The economic entity operates in the financial services sector were it provides banking services to its clients. The economic entity operates in two geographic areas being Donnybrook and Capel, Western Australia.

Note 20. Corporate information

Donnybrook Capel Community Financial Services Ltd is a Company limited by shares incorporated in Australia.

The registered office and principal place of business is:

70 South Western Highway

Donnybrook WA 6239

Note 21. 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:

	2008 $	2007 $
Profit / (loss) after income tax expense	23,178	(69,646)
Weighted average number of ordinary shares for basic and diluted earnings per share	660,435	660,435

Note 22. 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 balance date to recognised financial assets is the carrying amount of those assets as disclosed in the Balance Sheet and notes to the financial statements. The Company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2008	**2007**
	$	**$**
Cash assets	47,468	300
Receivables	67,576	48,949
	115,044	**49,249**

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

None of the assets of the Company are past due (2007: 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.

In addition, the Company has an established overdraft facility of $80,000 with Bendigo and Adelaide Bank Ltd.

Note 22. Financial risk management (continued)

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

	Carrying amount	Contractual cash flows	1 year or less	over 1 to 5 years	more than 5 years
30 June 2008	**$**	**$**	**$**	**$**	**$**
Payables	40,555	(40,555)	(40,555)	-	-
Interest bearing liabilities	310,038	(388,319)	(23,908)	(364,411)	-
	350,593	**(428,874)**	**(64,463)**	**(364,411)**	**-**
30 June 2007					
Payables	32,946	(32,946)	(32,946)	-	-
Interest bearing liabilities	345,692	(447,843)	(59,562)	(388,281)	-
	378,638	**(480,789)**	**(92,508)**	**(388,281)**	**-**

(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	
	2008	**2007**
Fixed rate instruments	**$**	**$**
Financial assets	-	-
Financial liabilities	(310,000)	(310,000)
	(310,000)	**(310,000)**
Variable rate instruments		
Financial assets	47,168	-
Financial liabilities	(38)	(35,692)
	47,130	**(35,692)**

Note 22. Financial risk management (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 2007 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 Balance Sheet. 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 Balance Sheet.

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

- i) the Distribution Limit is the greater of:
  - a) 20% of the profit or funds of the Franchisee otherwise available for distribution to shareholders in that 12 month period; and
  - b) subject to the availability of distributable profits, the Relevant Rate of Return multiplied by the average level of share capital of the Franchisee over that 12 month period; and
- ii) the Relevant Rate of Return is equal to the weighted average interest rate on 90 day bank bills over that 12 month period plus 5%.

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

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

Director's declaration

In accordance with a resolution of the directors of Donnybrook Capel District Community Financial Services Limited, I state that:

In the opinion of the directors:

a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including:

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

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

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

Robert Malcolm Witten, Chairman

Signed in Donnybrook on the 19 August 2008.

Independent audit report

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF DONNYBROOK CAPEL DISTRICT

COMMUNITY FINANCIAL SERVICES LIMITED

Scope

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Donnybrook Capel District Community Financial Services Limited, for the year ended 30 June 2008.

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

Audit approach

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

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

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

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

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

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

INDEPENDENCE

Independent audit report continued

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 Donnybrook Capel District Community Financial Services Limited is in accordance with:

a) the Corporations Act 2001 including:

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

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

b) other mandatory professional reporting requirements in Australia.

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

W. J. SINNOTT
Partner
Bendigo

Date: 19 August 2008

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