annual report 2010

Donnybrook Capel Districts
Community Financial Services Limited
ABN 23 103 003 416

Donnybrook Capel Districts **Community Bank®** Branch

Contents

Chairman's report

For year ending 30 June 2010

On behalf of the Board of Directors, I am pleased to advise shareholders of the progress of the company for the 2010 financial year and I am very proud to announce that our **Community Bank®** branches generated substantial profit during the year.

The aim of our **Community Bank®** branches has always been focused on our three goals:

- To provide premium banking services to the Donnybrook and Capel communities and provide local employment.
- To provide community sponsorships and grants generated by our profits
- To give back to our shareholders by means of dividend payments.

Due to our profitable year in 2010, we are now in a position to realize all of our aims and look forward to continuing to grow our business in order to generate further profits in the future. Thanks go to our Manager, David Forster and the dedicated team of staff at both branches who always strive to provide excellent customer service.

We have recently restructured our staffing arrangements at Donnybrook and Capel branches in line with our business strategy plan. For some time there has been a need to focus more on building the business at Capel, therefore the Board has decided to utilize the skills of David Forster to reach this aim. David has successfully built up the business in Donnybrook over the past few years and now aims to do the same at the Capel branch, with Sherrie Morgan now responsible for the management of the Donnybrook branch.

We continue to support our communities, once again funding as many local groups as possible, including a School Camp for all Year 7 students from all primary schools within our regional areas.

Since our last Annual Report there have been several changes to our Board of Directors. We welcome Patricia Worrell of Capel and Trevor Pickering of Donnybrook to the Board.

Linda Hay has acted as our Company Secretary since 2005 and has now joined the Board as Treasurer. I wish to thank our retiring Directors; Kingsley Smith, Fil Guglielmana and Mark Bennett for their valued contributions to the success of our company. It is with sadness that I would also like to acknowledge the passing of Neil Riising, one of our founding Directors who gave so much to ensure our Community Bank branches became a reality.

Robert Witten
Chairman

Manager's report

For year ending 30 June 2010

I am very pleased to report that our Donnybrook & Capel Districts **Community Bank®** branches have had a very successful year. With the major impacts of the Global Financial Crisis hopefully behind us and our profit margins steadily returning, we have achieved our first substantial profit.

Our total portfolio of Lending and Deposits as at 30 June 2010 was $85.2m. We achieved growth for the financial year of $10.7m and maintain over 4000 accounts. We will continue to focus growing our lending & deposit business by gaining a greater market share within the Donnybrook and Capel catchments.

I would like to thank my staff for there dedication to customer service and the desire to assist our customers meet their financial needs. The ability for our customers to sit down with their local manager at the local branch and to discuss their requirements is what sets us apart from our competitors and one of the reasons for our success.

Thanks go to the Board of Directors, who give their time voluntarily, for their ongoing support.

Thanks must extend to our valued clients, whose ongoing support helps us be successful and in turn allows us to support the building of long term, sustainable communities in productive and meaningful ways. We look forward to continuing to develop strong community relationships in the years to come.

David Forster

Branch Manager

Directors' report

For the financial year ended 30 June 2010

Your Directors submit their report of the Company for the financial year ended 30 June 2010.

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 (resigned 4 September 2009)
Director
Chartered Accountant

Sandra Jean Goddard
Director
Veterinary Surgeon & Farmer

Walter Bruce Hearman
Director
Farmer and Business Manager

Filip Guglielmana (resigned 26 November 2009)
Director
Business Proprietor

Neil Bjerring Riising (resigned 26 November 2009)
Director
Farmer & Earthmoving Contractor

Bernard Kent Masters
Director
Environmental Geologist

Mark John Bennett (resigned 26 November 2009)
Director
Business Proprietor

Angelo Terzo Logiudice
Director
Orchadist & Business Proprietor

Linda Hay (appointed 28 January 2010)
Director
Business Partner and Bookkeeper

Patricia Anne Worrell (appointed 22 April 2010)
Director
Primary School Teacher

Trevor Robert Pickering (appointed 22 April 2010)
Director
Farmer

Directors were in office for this entire year 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 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 / (loss) after tax $78,969 (2009: ($6,613).

Dividends

No dividends were declared or paid for the previous 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 $19,081 (2009: $17,720) for the year ended 30 June 2010. Rent was paid at normal commercial rates. For the year ended 30 June 2010 Linda Hay was paid $6,831 for accounting and reporting advice to the Company. These payments were made under normal commercial arrangements.

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 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 Officers' 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.

Indemnification and insurance of Directors and Officers (continued)

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' meetings

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

Director	Board meetings #
Kingsley John Smith (resigned 4 September 2009)	1 (2)
Walter Bruce Hearman	10 (11)
Robert Malcolm Witten	10 (11)
Sandra Jean Goddard	11 (11)
Neil Bjerring Riising (resigned 26 Nobember 2009)	0 (5)
Filip Guglielmana (resigned 26 November 2009)	5 (5)
Bernard Kent Masters	10 (11)
Mark John Bennett (resigned 26 November 2009)	3 (5)
Angelo Terzo Logiudice	10 (11)
Linda Hay (appointed 28 January 2010)	6 (6)
Patricia Anne Worrell (appointed 22 April 2010)	4 (4)
Trevor Robert Pickering (appointed 22 April 2010)	4 (4)

\# 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

Walter Hearman has been the Company Secretary of Donnybrook Capel Districts Community Financial Services Ltd Services Limited since January 2010. He has been a Shire Councillor since 1984, including over 10 years as President, served on numerous community committees, is a life member of Apex, a Past District Governor of Lions Club International and a member of the Board since the inception of the Company in 2003.

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

172 McIvor Road
PO Box 30
Bendigo. 3552
Ph. 03 5443 1177
Fax. 03 5444 4344
E-mail: rsd@rsdadvisors.com.au

Auditor's independence declaration

In relation to our audit of the financial report of Donnybrook Capel District Community Financial Services Ltd for the financial year ended 30 June 2010, 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
Bendigo

2 September 2010

Signed in accordance with a resolution of the Board of Directors at Donnybrook, Western Australia on 2 September 2010.

Robert Malcolm Witten,
Chairman

Financial statements

Statement of comprehensive income
For the year ended 30 June 2010

	Note	2010 $	2009 $
Revenue from ordinary activities	2	824,550	662,451
Employee benefits expense	3	(424,896)	(369,699)
Charitable donations and sponsorship		(16,009)	(34,982)
Depreciation and amortisation expense	3	(18,666)	(29,494)
Finance costs	3	(23,206)	(23,448)
Administration and other expenses from ordinary activities		(226,215)	(216,536)
Profit/(loss) before income tax expense		**115,558**	**(11,708)**
Income tax expense	4	(36,589)	5,095
Profit/(loss) after income tax expense		**78,969**	**(6,613)**
Other comprehensive income			
Total comprehensive income		-	-
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	22	11.96	(1.00)
- diluted for profit / (loss) for the year	22	11.96	(1.00)

The accompanying notes form part of these financial statements.

Statement of financial position
As at 30 June 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	6	64,330	13,890
Receivables	7	80,701	66,237
Total current assets		**145,031**	**80,127**
Non-current assets			
Property, plant and equipment	8	29,562	11,589
Deferred tax assets	4	218,276	254,865
Intangible assets	9	41,289	55,089
Total non-current assets		**289,127**	**321,543**
Total assets		**434,158**	**401,670**
Current liabilities			
Payables	10	38,508	90,551
Loans and borrowings	11	300,093	300,938
Provisions	12	25,383	19,375
Total liabilities		**364,383**	**410,864**
Net assets / (liabilities)		**69,775**	**410,864**
Equity			
Share capital	13	660,435	660,435
Accumulated losses	14	(590,660)	(669,629)
Total equity		**69,775**	**(9,194)**

The accompanying notes form part of these financial statements.

Statement of cash flows
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		891,409	729,563
Cash payments in the course of operations		(794,175)	(642,915)
Interest received		96	555
Interest paid		(23,206)	(23,448)
Net cash flows from operating activities	**15b**	**74,124**	**63,845**
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,839)	(12,404)
Purchase of intangible assets		-	(75,919)
Net cash flows from financing activities		**(22,839)**	**(88,323)**
Cash flows from financing activities			
Repayment of borrowings		-	(10,000)
Net cash flows from financing activities		**-**	**(10,000)**
Net increase in cash held		**51,285**	**(34,478)**
Cash and cash equivalents at start of year		12,952	47,430
Cash and cash equivalents at end of year	**15a**	**64,237**	**12,952**

The accompanying notes form part of these financial statements.

Statement of changes in equity
For the year ended June 2010

	Note	2010 $	2009 $
Share capital			
Balance at start of year		650,435	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		(669,629)	(663,016)
Profit/(loss) after income tax expense		78,969	(6,613)
Dividends paid	21	000	000
Balance at end of year		**(590,660)**	**(669,629)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2010

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Donnybrook Capel District Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 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 2 September 2010.

(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.

(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 2009 financial statements.

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.

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

Income tax (continued)

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.

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 straight line basis over the estimated useful life of the asset as follows:

Class of asset	Depreciation rate
Property, Plant & equipment	20-33%

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.

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.

Notes to the financial statements continued

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

Intangibles

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

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.

Cash

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

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

Comparative figures

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

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.

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.

Note 2. Revenue from ordinary activities

	2010 $	2009 $
Operating activities		
- franchise margin income	451,398	341,395
- services commissions	193,882	166,909
- other revenue	179,174	166,909
Total revenue from operating activities	**824,454**	**661,896**
Non-operating activities:		
- interest received	96	555
Total revenue from non-operating activities	**96**	**555**
Total revenue from ordinary activities	**824,550**	**662,451**

	2010 $	2009 $
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	355,261	323,303
- superannuation costs	43,544	39,020
- other costs	26,091	7,376
	424,896	**369,699**
Depreciation of non-current assets:		
- plant and equipment	4,866	8,664
Amortisation of non-current assets:		
- intangibles	13,800	20,830
	18,666	**29,494**
Finance Costs:		
- Interest paid	23,206	23,448
Bad debts	5,499	784

Note 4. Income tax expense

	2010 $	2009 $
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%	34,667	(3,512)
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	1,922	(1,583)
Current income tax expense / (benefit)	**36,589**	**(5,095)**
Deferred income tax expense Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	**218,276**	**254,865**

Note 5. Auditors' remuneration

	2010 $	2009 $
Amounts received or due and receivable by Richmond, Sinnott & Delahunty for:		
- Audit or review of the financial report of the Company	3,900	3,650

	2010 $	2009 $

Note 6. Cash and cash equivalents

Cash at bank and on hand	**64,030**	**13,590**
Cash on hand		

Note 7. Receivables

Trade debtors	80,701	66,237
	80,701	**66,237**

Note 8. Property, plant and equipment

Computer software		
At cost	24,703	24,703
Less accumulated depreciation	(24,703)	(24,703)
	-	-
Building improvements		
At cost	129,896	128,421
Less accumulated depreciation	(128,666)	(128,421)
	1,230	-
Furniture and fittings		
At cost	32,825	32,825
Less accumulated depreciation	(23,717)	21,236)
	9,108	**11,589**
Motot vehicle		
At cost	21,364	-
Less accumulated depreciation	(2,140)	-
Total written down amount	**19,224**	-

Notes to the financial statements continued

	2010 $	2009 $

Note 8. Property, plant and equipment continued

Movements in carrying amounts

	2010 $	2009 $
Computer software		
Carrying amount at beginning of year	-	1,035
Additions	-	-
Disposals	-	-
Depreciation expense	-	(1,035)
Carrying amount at end of year	**-**	**-**
Building improvements		
Carrying amount at beginning of year	-	5,792
Additions	1,475	-
Disposals	-	-
Depreciation expense	(245)	(5,792)
Carrying amount at end of year	**1,230**	**-**
Furniture and fittings		
Carrying amount at beginning of year	11,589	1,022
Additions	-	12,404
Disposals	-	000
Depreciation expense	(2,481)	(1,837)
Carrying amount at end of year	**9,108**	**11,589**
Motor vehicle		
Carrying amount at beginning of year	-	-
Additions	21,364	-
Disposals	-	-
Depreciation expense	(2,140)	-
Carrying amount at end of year	**19,224**	**-**

Notes to the financial statements continued

	2010 $	2009 $

Note 9. Intangible assets

Franchise fee

At cost	128,861	128,861
Less accumulated amortisation	(87,572)	(73,772)
	41,289	**55,089**

Note 10. Payables

Trade creditors	9,795	11,796
Other creditors and accruals	28,713	78,755
	38,508	**90,551**

Note 11. Loans and borrowings

Credit card	93	938
Bank loan	300,000	300,000
	300,093	**300,938**

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

12. Provisions

Employee benefits	**25,782**	**19,375**

Notes to the financial statements continued

	2010 $	2009 $

Note 13. Share capital

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

Note 14. Accumulated losses

Balance at the beginning of the year	(669,629)	663,016)
Net profit / (loss) from ordinary activities after income tax	78,629	(6,613)
Balance at the end of the financial year	**(590,660)**	**(669,629)**

Note 15. Statement of cash flows

(a) Cash and cash equivalents

Cash assets	64,330	13,890
Credit card	(93)	(938)
	64,237	**12,952**

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

Profit / (loss) after income tax	78,969	(6,613)
Non cash items		
- Depreciation	4,866	8,664
- Amortisation	13,800	20,830
Changes in assets and liabilities		
- (Increase) decrease in receivables	(14,464)	1,339
- (Increase) decrease in provisions	6,407	(5,276)
- Increase (decrease) in payables	(52,043)	49,996
- Increase (decrease) in deferred income tax asset	36,589	(5,095)
Net cash flows provided from/(used in) operating activities	**74,124**	**63,845**

Note 16. Director and related party disclosures

Robert Witten is the Capel bank premises landlord and was paid $19,081 (2009: $17,720) for the year ended 30 June 2010. Rent was paid at normal commercial rates. For the year ended 30 June 2010 Linda Hay was paid $6,831 for accounting and reporting advice to the Company. These payments were made under normal commercial arrangements. 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.

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

Directors' shareholdings	**2010**	**2009**
Kingsley John Smith (resigned 4 September 2009)	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 (resigned 26 Nobember 2009)	10,000	10,000
Filip Guglielmana (resigned 26 November 2009)	500	500
Bernard Kent Masters	5,000	5,000
Mark John Bennett (resigned 26 November 2009)	10,000	10,000
Angelo Terzo Logiudice	250	250
Linda Hay (appointed 28 January 2010)	-	-
Patricia Anne Worrell (appointed 22 April 2010)	1,000	1,000
Trevor Robert Pickering (appointed 22 April 2010)	-	-

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

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.

Notes to the financial statements continued

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. Segment reporting

No dividends were paid or proposed by the Company during the period.

Note 21. 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

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:

Profit/(loss) after income tax expense	**78,969**	**(6,613)**
Weighted average number of ordinary shares for basic and diluted earnings per share	**660,435**	**660,435**

Note 23. 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	
	2010 $	2009 $
Cash assets	64,330	13,890
Receivables	80,701	66,237
	145,031	**80,127**

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 (2009: 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 23. 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 2010					
Payables	38,508	(38,508)	(38,508)	-	-
Loans and borrowings	300,093	(329,648)	(23,193)	(306,455)	-
	338,601	**(368,156)**	**(61,701)**	**(306,455)**	**-**
30 June 2009					
Payables	90,551	(90,551)	(90,551)	-	-
Loans and borrowings	300,938	(353,593)	(24,038)	(329,555)	-
	391,489	**(444,144)**	**(114,589)**	**(329,555)**	**-**

(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.

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Sensitivity analysis

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

	Carrying amount 2010 $	2009 $
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(300,000)	(300,000)
	(300,000)	**(300,000)**
Variable rate instruments		
Financial assets	64,330	13,890
Financial liabilities	(93)	(938)
	64,237	**12,952**

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 2009 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.

Note 23. Financial risk management (continued)

(e) 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 2010 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 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 2010 and of their performance for the year ended on that date; and

 (ii) complying with Accounting Standards in Australia 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; and

Robert Malcolm Witten,

Chairman

Signed in Donnybrook on 2 September 2010.

Independent audit report

Richmond Sinnott & Delahunty

Chartered Accountants

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

INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF DONNYBROOK CAPEL DISTRICT COMMUNITY FINANCIAL SERVICES LIMITED

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 Donnybrook Capel District Community Financial Services Limited, for the year ended 30 June 2010.

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

Audit approach

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

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

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

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

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

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

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(KKWAR10008) (09/10)

Bendigo Bank