

Donnybrook Capel Districts
Community Financial Services Limited

ABN 23 103 003 416

annual report 2011

Donnybrook & Capel Districts **Community Bank**[®] Branches

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Chairman's report

For year ending 30 June 2011

On behalf of the Board of Directors, I am proud to advise shareholders that our **Community Bank**[®] branches have continued to grow and prosper. The year ended 30 June 2011 saw the company return over \$75,000 back to our communities by means of sponsorship payments. Even after making these payments, the company has generated a pre-tax profit of approx \$105,000 and with your support we look forward to continuing and improving this success in the future. During the year we also returned approx \$20,000 to you, our shareholders with our maiden dividend being paid.

As always, we encourage you to continue to support our **Community Bank**[®] branches for all your banking needs and in doing so we can continue to give back. Australia wide, the **Community Bank**[®] network have collectively been able to give back over \$60 million to local communities – what an achievement, just by doing something as simple as your banking!

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 primary schools within our regional areas. The year also saw the installation of an ATM at our Capel branch and Capel staff member Joanne Paul being awarded at National level for excellent customer service by Bendigo & Adelaide Bank. Our congratulations go to Joanne, and indeed all our staff members for their continued commitment to provide our customers with great service.

In the near future we plan to host a 'Community Forum' in both Donnybrook and Capel to ascertain where the locals would like to see money being spent. We welcome all to attend and provide your input and ideas for any worthwhile future projects that you would like to see us support.

Operationally, the year saw David Forster & Sherrie Morgan lead the teams at Capel & Donnybrook and we thank them for their valuable contributions. Recently both Sherrie & David have moved on to pursue new Management roles and we wish them the very best for the future. The company has recently employed the services of Geoffrey Acton as Senior Branch Manager, to be based in Donnybrook. Geoff brings a wealth of banking experience to the role and is keen to become involved with our local community. We would also like to welcome Bernadette Brown to the role of Capel Branch Manger. Bernadette has over ten years of experience working for the Kulin **Community Bank**[®] Branch and is now looking forward to the challenge of realising the potential of the Capel branch.

Since our last Annual Report there have also been some changes to our Board of Directors. We welcome Jeff Heath and Cameron Skerman of Donnybrook to the Board. We would also like to welcome back to the Board Kingsley Smith of Capel. I wish to thank our Directors who have retired during the year; Bernie Masters, Sandra Goddard & Trevor Pickering for their valued contributions to the success of our company and extend a thank you to all our Directors for voluntarily giving many hours to ensure we reach our goals.



Robert Witten

Chairman

Donnybrook Manager's report

For year ending 30 June 2011

After eight years of trading a decision was made to employ a Branch Manager at both Donnybrook and Capel branches. I was appointed into the position of Branch Manager at Donnybrook in September 2010.

It is pleasing to report that we have \$68 million in deposits and loans on the books for the 2010/2011 financial year, again ahead of budget forecasts for the branch. Customer numbers continue to increase with good support from our shareholders and existing customers. Our strong relationships with schools, clubs and community groups continues. The interactions with these groups provide us with information on our community needs and where sponsorship funding can be spent.

We continue to have the support services of a Bunbury based Business Banking Manager and Financial Planner that enables us to offer a wide and diverse range of products and services to our customers.

Much of our success can be contributed to the team of dedicated and hardworking staff who have an exceptional community minded focus and strive to meet the customers needs and attaining the vision of being Australia's most leading customer connected banking group.

To all who bank with the Donnybrook **Community Bank**[®] Branch - thank you. Without you, we are a lesser business. The support that we receive from the local community has been wonderful. I hope that this support continues well into the future.

Finally, I would like to thank our Board of Directors who volunteer their time to oversee the business that has bought banking services back to our community.



Sherrie Morgan

Branch Manager

Capel Manager's report

For year ending 30 June 2011

2010/2011 has been a year of change for the Donnybrook Capel Districts **Community Bank**[®] Branch, after eight years of trading a decision was made to employ a Branch Manager at both Donnybrook and Capel branches. It was identified that Capel needed a designated Manager if it was going to grow and be successful in its own right.

Business is developing well and having a Manager at the Branch on a full time basis is proving to be a good decision. Customers appreciate the additional service and business is being attracted to Capel branch which may not have previously been the case. I can see a successful future for the Capel business in the years ahead.

Customer numbers continue to increase with good support from our shareholders and existing customers. We commenced school banking with Capel Primary School this year which has proved popular and the relationships with community continues to develop.

Much of our success can be contributed to the team of dedicated and hardworking staff who are community minded and strive to meet our customers needs. We have also been successful in winning a number of customer service awards this year.

Thank you to all who support the Capel **Community Bank**[®] Branch. We appreciate your business and look forward to a prosperous future together.

I would also like to give special thanks to our Board of Directors who volunteer their time and put so much back into supporting our local community.



David Forster

Branch Manager

Senior Manager's report

For year ending 30 June 2011

Manager Introduction

It is a pleasure to have joined the Donnybrook and Capel Districts **Community Bank**[®] Branch. I consider myself fortunate to have been given this opportunity to join a business with its focus on delivering profits back to into our local communities

The Senior Branch Manager position offers new and exciting challenges to me, all of which I am looking forward to. In the short time I have been in the position I can see all our staff are dedicated and quality people. I am looking forward to working with the staff and the Board together with building relationships in the community to grow our **Community Bank**[®] branches.



Geoff Acton

Senior Branch Manager

Bendigo and Adelaide Bank Ltd report

For year ending 30 June 2011

As **Community Bank**[®] shareholders you are part of something special, a unique banking movement which has evolved into a whole new way of thinking about organising and strengthening community.

Together, we have reached new heights and achieved many great successes, all of which has been underpinned by our commitment and dedication to the communities we're a part of.

Together we're making extraordinary progress, with more than \$58.25 million returned to support community groups and endeavours since the network was established in 1998.

The returns grow exponentially each year, with \$469 thousand returned within the first five years, \$8.15 million within the first eight and \$22.58 million by the end of the first decade of operation. Based on this, we can predict the community returns should top \$100 million within the next three years, which equates to new community facilities, better health care, increased transport services and generally speaking, more prosperous communities.

Together, we haven't just returned \$58.25 million; there is also the flow on economic impact to consider. Bendigo and Adelaide Bank is in the process of establishing an evidential basis that captures the complete picture and the economic outcomes these initiatives generate. However, the tangible outcomes are obvious. We see it in tenanted shops, increased consumer traffic, retained local capital and new jobs but we know that there are broader elements of community strength beyond the economic indicators, which demonstrate the power of our community models.

It is now evident that branches go through a clear maturity phase, building customer support, generating surpluses and establishing a sustainable income stream. This enables Boards to focus less on generating business and more on the community's aspirations. Bendigo is facilitating this through Director engagement and education, community consultations and other community solutions (Community Enterprise Foundation[™], Community Sector Banking, Community Telco, Generation Green[™] and Community Enterprises) that will provide Boards with further development options.

In Bendigo, your **Community Bank**[®] Board has a committed and successful partner. Our past efforts and continued commitment to be Australia's leading customer-connected bank, that is relevant, connected and valued, is starting to attract attention and reap rewards.

In January, a Roy Morgan survey into customer satisfaction saw Bendigo Bank achieve an industry leading score among Australian retail banks. This was the first time Bendigo Bank has led the overall results since August 2009.

In May, Fitch Ratings upgraded Bendigo and Adelaide Banks Long-Term Issuer Default Rating (IDR) to A- from BBB+. This announcement saw us become the first Australian bank – and one of the very few banks globally – to receive an upgrade since the Global Financial Crisis.

Standard & Poor's revised credit rating soon followed seeing Bendigo and Adelaide Bank shift from BBB+ stable, to BBB+ positive. These announcements reflect the hard and diligent work by all our staff, our sound risk management practices, low-risk funding and balance sheet structure, sound capital ratios and a sustained improvement in profitability.

The strength of our business model – based on our commitment to our customers and the communities that we operate in – is being recognised by all three ratings agencies.

Bendigo and Adelaide Bank Ltd report continued

Over the past year the bank has also added more than 700 additional ATMs through a network sharing agreement with Suncorp Bank, which further enhances our customers' convenience and expands our footprint across the country. In addition to this a further 16 **Community Bank**[®] branches were opened.

The bank has also had a renewed focus on business banking and re-launched our wealth management services through Bendigo Wealth, which oversees the Adelaide Bank, Leveraged Equities, Sandhurst Trustees and financial planning offering.

The **Community Bank**[®] model is unique and successful, it's one of our major points of difference and it enables us to connect with more than 550,000 customers, in excess of 270 communities and make a difference in the lives of countless people.

We are very proud of the model we have developed and we're very thankful for the opportunity to partner with communities to help build their balance sheets.

We thank you all for the part you play in driving this success.



Russell Jenkins

Executive Customer and Community

Directors' report

For the financial year ended 30 June 2011

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

Directors

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

Robert Malcolm Witten

Chairman
Business Proprietor

Patricia Anne Worrell

Director
Primary School Teacher

Sandra Jean Goddard (resigned 15 June 2011)

Director
Veterinary Surgeon & Farmer

Walter Bruce Hearman

Director
Farmer and Business Manager

Trevor Robert Pickering (resigned 31 March 2011)

Director
Farmer

Linda Hay

Director
Business Partner and Bookkeeper

Bernard Kent Masters (resigned 15 December 2010) Angelo Terzo Logiudice

Director
Environmental Geologist

Director
Orchardist & Business Proprietor

Kingsley John Smith (appointed 24 February 2011)

Director
Chartered Accountant

Cameron Skerman (appointed 28 July 2011)

Director
Veterinarian

Jefferis Heath (appointed 28 July 2011)

Director
Real Estate Agent

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 Ltd.

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

Directors' report continued

Review of operations

Operations for the financial year have resulted in a profit after tax \$71,388 (2010: \$78,969).

Dividends	Year ended 30 June 2011	
	Cents per share	\$'000
Dividends paid in the year:	3	19,813

Significant changes in the state of affairs

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

Significant events after the balance date

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

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

Likely developments

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

Remuneration report

Robert Witten is the Capel bank premises landlord and was paid \$19,776 (2010: \$19,081) for the year ended 30 June 2011. Rent was paid at normal commercial rates. For the year ended 30 June 2011 Linda Hay was paid \$5,412 (2010: \$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 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.

Directors' report 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
Patricia Anne Worrell	12 (12)
Walter Bruce Hearman	9 (12)
Robert Malcolm Witten	12 (12)
Sandra Jean Goddard (resigned 15 June 2011)	6 (12)
Linda Hay	10 (12)
Trevor Robert Pickering (resigned 31 March 2011)	9 (9)
Bernard Kent Masters (resigned 15 December 2010)	2 (5)
Angelo Terzo Logiudice	11 (12)
Kingsley John Smith (appointed 24 February 2011)	5 (5)
Jefferis Heath (appointed 28 July 2011)	N/A
Cameron Skerman (appointed 28 July 2011)	N/A

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.

Company Secretary

Walter Hearman has been the Company Secretary of Donnybrook Capel Districts Community Financial 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.

Directors' report continued

Auditor Independence Declaration

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



**Richmond
Sinnott &
Delahunty**

CHARTERED ACCOUNTANTS

Level 2, 10 -16 Forest Street
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 Limited for the financial year ended 30 June 2011, to the best of my knowledge and belief, there have been no contraventions of the Auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott

Partner

Richmond Sinnott & Delahunty

22 September 2011

Signed in accordance with a resolution of the Board of Directors at Donnybrook, Western Australia on 22 September 2011.

Robert Malcolm Witten

Chairman

Financial statements

Statement of comprehensive income for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenues from continuing operations	2	954,679	824,550
Employee benefits expense	3	(476,925)	(424,896)
Charitable donations and sponsorship		(72,960)	(16,009)
Depreciation and amortisation expense	3	(29,545)	(18,666)
Finance costs	3	(22,335)	(23,206)
Other expenses		(247,442)	(226,215)
Profit before income tax payable		105,472	115,558
Income tax expense	4	(34,084)	(36,589)
Profit after income tax expense		71,388	78,969
Other comprehensive income		-	-
Total comprehensive income		71,388	78,969
Earnings per share (cents per share)			Cents Per Share
- basic for profit for the year	22	10.81	11.96
- diluted for profit for the year	22	10.81	11.96

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of financial position as at 30 June 2011

	Note	2011 \$	2010 \$
Current assets			
Cash and cash equivalents	6	117,142	64,330
Receivables	7	88,738	80,701
Total Current Assets		205,880	145,031
Non-Current Assets			
Property, plant and equipment	8	64,486	29,562
Deferred tax assets	4	184,192	218,276
Intangible assets	9	27,490	41,289
Total Non-Current Assets		276,168	289,127
Total Assets		482,048	434,158
Current Liabilities			
Payables	10	45,981	38,508
Loans and borrowings	11	280,794	300,093
Provisions	12	33,923	25,782
Total Current Liabilities		360,698	364,383
Total Liabilities		360,698	364,383
Net Assets		121,350	69,775
Equity			
Share capital	13	660,435	660,435
Accumulated losses	14	(539,085)	(590,660)
Total Equity		121,350	69,775

The accompanying notes form part of these financial statements.

Financial statements continued

Statement of cash flows for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,040,703	891,409
Cash payments in the course of operations		(876,716)	(794,175)
Interest received		942	96
Interest paid		(22,335)	(23,206)
Net cash flows from operating activities	15b	142,594	74,124
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(50,670)	(22,839)
Net cash flows used in financing activities		(50,670)	(22,839)
Cash Flows From Financing Activities			
Repayment of borrowings		(20,000)	-
Dividends paid		(19,813)	
Net cash flows used in financing activities		(39,813)	-
Net increase in cash held		52,111	51,285
Cash and cash equivalents at start of year		64,237	12,952
Cash and cash equivalents at end of year	15a	116,348	64,237

The accompanying notes form part of these financial statements.

Financial statements continued

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

	Note	2011 \$	2010 \$
Share capital			
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		(590,660)	(669,629)
Profit after income tax expense		71,388	78,969
Dividends paid	20	(19,813)	-
Balance at end of year		(539,085)	(590,660)

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2011

Note 1. Basis of preparation of the financial report

(a) Basis of preparation

Donnybrook Capel District Community Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2011 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing **Community Bank**[®] services.

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

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

The financial statements were authorised for issue by the Directors on 22 September 2011.

(b) Statement of compliance

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

(c) Significant accounting policies

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

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.

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
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 Statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts.

Revenue

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

Receivables and payables

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

Loans and borrowings

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

Notes to the financial statements continued

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

Provisions

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

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

Share capital

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

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

Comparative figures

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

	2011 \$	2010 \$
Note 2. Revenue from continuing operations		
Operating activities		
- franchise margin income	547,532	451,398
- services commissions	224,980	193,882
- other revenue	181,225	179,174
	953,737	824,454
Non-operating activities:		
- interest receive	942	96
	942	96
	954,679	824,550

Notes to the financial statements continued

	2011 \$	2010 \$
Note 3. Expenses		
Employee benefits expense		
- wages and salaries	396,806	355,261
- superannuation costs	47,045	43,544
- other costs	33,074	26,091
	476,925	424,896
Depreciation of non-current assets:		
- plant and equipment	15,746	4,866
Amortisation of non-current assets:		
- intangibles	13,799	13,800
	29,545	18,666
Finance Costs:		
- interest paid	22,335	23,206
Bad debts	1,116	5,499
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 before income tax at 30%	31,642	34,667
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	2,442	1,922
Current income tax expense	34,084	36,589
Income tax expense	34,084	36,589
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.		
	184,192	218,276

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 5. Auditors' remuneration

Amounts received or due and receivable by Richmond,

Sinnott & Delahunty for:

- Audit or review of the financial report of the Company	3,900	3,900
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Note 6. Cash and cash equivalents

Cash at bank	116,842	64,030
Cash on hand	300	300
	117,142	64,330

Note 7. Receivables

Trade debtors	84,778	80,701
Prepaid expense	3,960	
	88,738	80,701

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	154,649	129,896
Less accumulated depreciation	(133,284)	(128,666)
	21,365	1,230

Notes to the financial statements continued

	2011 \$	2010 \$
Note 8. Property, plant and equipment (continued)		
Furniture & fittings		
At cost	36,015	32,825
Less accumulated depreciation	(26,368)	(23,717)
	9,647	9,108
Motor Vehicle		
At cost	44,091	21,364
Less accumulated depreciation	(10,617)	(2,140)
	33,474	19,224
Total written down amount	64,486	29,562
Movements in carrying amounts		
Building improvements		
Carrying amount at beginning of year	1,230	-
Additions	24,753	1,475
Disposals	-	-
Depreciation expense	(4,618)	(245)
Carrying amount at end of year	21,365	1,230
Furniture & fittings		
Carrying amount at beginning of year	9,108	11,589
Additions	3,190	-
Disposals	-	-
Depreciation expense	(2,651)	(2,481)
Carrying amount at end of year	9,647	9,108
Motor Vehicle		
Carrying amount at beginning of year	19,224	-
Additions	22,727	21,364
Disposals	-	-
Depreciation expense	(8,477)	(2,140)
Carrying amount at end of year	33,474	19,224

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 9. Intangible assets

Franchise Fee

At cost	128,861	128,861
Less accumulated amortisation	(101,371)	(87,572)
	27,490	41,289

Note 10. Payables

Trade creditors	12,469	9,795
Other creditors and accruals	33,512	28,713
	45,981	38,508

Note 11. Loans and borrowings

Bank overdraft	794	93
Bank loan - secured	280,000	300,000
	280,794	300,093

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

Note 12. Provisions

Employee benefits	33,923	25,782
Movement in employee benefits		
Opening balance	25,782	19,375
Additional provisions recognised	30,523	27,328
Amounts utilised during the year	(22,382)	(20,921)
Closing balance	33,923	25,782

Note 13. Share capital

Ordinary Shares fully paid of \$1 each	660,435	660,435
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Note 14. Accumulated losses

Balance at the beginning of year	(590,660)	(669,629)
Less: Dividends paid	(19,813)	-
Net profit from ordinary activities after income tax	71,388	78,969
Balance at the end of year	(539,085)	(590,660)

Notes to the financial statements continued

	2011 \$	2010 \$
Note 15. Statement of cash flows		
(a) Cash and cash equivalents		
Cash at bank	117,142	64,330
Credit card	(794)	(93)
	116,348	64,237
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	71,388	78,969
Non cash items		
- Depreciation	15,746	4,866
- Amortisation	13,799	13,800
Changes in assets and liabilities		
- (Increase) decrease in receivables	(8,037)	(14,464)
- Increase (decrease) in provisions	8,141	6,407
- Increase (decrease) in payables	7,473	(52,043)
- (Increase) decrease in deferred income tax asset	34,084	36,589
Net cashflows provided from / (used in) operating activities	142,594	74,124

Notes to the financial statements continued

Note 16. Director and related party disclosures

Robert Witten is the Capel bank premises landlord and was paid \$19,776 (2010: \$19,081) for the year ended 30 June 2011. Rent was paid at normal commercial rates. For the year ended 30 June 2011 Linda Hay was paid \$5,412 (2010: \$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.

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

	Director Shareholdings	
	2011	2010
Patricia Anne Worrell	1,000	1,000
Walter Bruce Hearman	2,000	2,000
Robert Malcolm Witten	2,000	2,000
Sandra Jean Goddard (resigned 15 June 2011)	2,100	2,100
Linda Hay	-	-
Trevor Robert Pickering (resigned 31 March 2011)	-	-
Bernard Kent Masters (resigned 15 December 2010)	5,000	5,000
Angelo Terzo Logiudice	250	250
Kingsley John Smith (appointed 24 February 2011)	5,000	5,000
Jefferis Heath (appointed 28 July 2011)	250	250
Cameron Skerman (appointed 28 July 2011)	-	-

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

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

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

Notes to the financial statements continued

Note 19. Segment reporting

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

20. Dividends paid or provided for on ordinary shares

	2011 \$	2010 \$
(a) Dividends paid during the year		
Unfranked dividends - 3 cents per share (2010: nil)	19,813	-

Note 21. Corporate information

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

The registered office is:

70 South Western Highway
Donnybrook WA

Notes to the financial statements continued

	2011 \$	2010 \$
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Note 22. Earnings per share

Basic earnings per share amounts are calculated by dividing profit 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 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 after income tax expense	71,388	78,969
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 is assisted in the area of risk management by an internal audit function.

(a) Credit risk

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

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

	Carrying amount	
	2011 \$	2010 \$
Cash assets	117,142 -	64,330
Receivables	88,738 -	80,701
	205,880	145,031

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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(a) Credit risk (continued)

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

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company ensures it will have enough liquidity to meet its liabilities when due under both normal and stressed conditions. Liquidity management is carried out within the guidelines set by the Board.

Typically, the Company maintains sufficient cash on hand to meet expected operational expenses, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

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

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 2011					
Payables	45,981	(45,981)	(45,981)	-	-
Loans and borrowings	280,794	(288,059)	(288,059)	-	-
	326,775	(334,040)	(334,040)	-	-
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)	-

(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.

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(c) Market risk (continued)

Interest rate risk

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

Sensitivity analysis

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

	Carrying amount	
	2011	2010
	\$	\$
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	(280,000)	(300,000)
	(280,000)	(300,000)
Variable rate instruments		
Financial assets	117,142	64,330
Financial liabilities	(794)	(93)
	116,348	64,237

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2010 there was also no impact. As at both dates this assumes all other variables remain constant.

(d) Net fair values

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

Notes to the financial statements continued

Note 23. Financial risk management (continued)

(e) Capital management

The Board's policy is to maintain a strong capital base so as to sustain future development of the Company. The Board of Directors monitor the return on capital and the level of dividends to shareholders. Capital is represented by total equity as recorded in the Statement of financial position.

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2011 can be seen in the Statement of comprehensive income.

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

Directors' declaration

In accordance with a resolution of the Directors of 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 2011 and of their 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 at Donnybrook on 22 September 2011.

Independent audit report



**Richmond
Sinnott &
Delahunty**

Chartered Accountants

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 2011.

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

Audit approach

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

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

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

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

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

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

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Independent audit report continued

INDEPENDENCE

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

AUDIT OPINION

In our opinion, the financial report of 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 2011 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

RICHMOND SINNOTT & DELAHUNTY

Chartered Accountants

W. J. Sinnott

W. J. SINNOTT

Partner

Bendigo

Date: 22 September 2011

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