Donnybrook & Capel **Community Bank®** Branches

2012

annual report

Donnybrook Capel Districts Community Financial Services Limited

ABN 23 103 003 416

Contents

Chairman's report

For year ending 30 June 2012

On behalf of the Donnybrook Capel **Community Bank®** Board I am pleased to advise shareholders that our **Community Bank®** branches have continued to grow at a steady pace through some quite challenging times.

The company has put $23,000 back into our communities through sponsorship and payment to community and sporting groups, we continued to fund the year 7 Camp for schools in both communities, have made a commitment to the St John of God Coronary Care Unit in Bunbury for funding over a five-year period and sponsorship to Australian Coastal Radio Monitors which are based in Capel, this to renew the communications structure that services Boating from Mandurah to Augusta with a link into Sea rescue, these commitments equate to approximately $52,000.

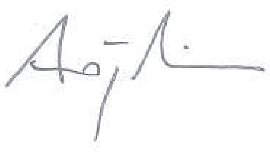
After making these payments the company has generated pre-tax profit of approximately $87,000, with your continued support the Board looks forward to the continuing improvement and success into the future. This past year has seen approximately $26,500 returned to shareholders with the second payment of a dividend.

The **Community Bank®** network have collectively returned back into our communities over $80 million across Australia and are proud of this achievement, so we encourage you to support our local **Community Bank®** branches for all your banking requirements so we can return more funds back to community groups and projects that may require some seed funding to get off the ground.

In March 2012 we increased the Capel **Community Bank®** Branch opening hours to full banking hours being 9.30am to 4.00pm Monday to Thursday and Friday 9.30am to 5.00pm. Donnybrook **Community Bank®** Branch has increased their opening to 9.30am Monday to Friday.

I would like to take this opportunity to thank Manager Bernadette Brown and all the staff at Donnybrook and Capel for their continued commitment and personalised service they provide to our customers.

Since the last Annual Report we have had some changes to the Board of Directors. Robert Witten has retired and I thank him very much for the years of service he committed to the Board from the early days of the steering committee to raise the capital to buy a franchise and establish two branches, Donnybrook and Capel. Cameron Skerman served a few short months but had to resign due to heavy work commitments. I thank Cameron for his commitment and input during his short time with us. We welcome Ken Caratti, Colin Helliar and Scott Summers to the Board of Directors and also the Board Secretary Robyn Roney with a big thank you to Sonia Pruden as retiring Secretary. With this I would like to thank all our Directors for the past 12 months and for giving many hours of their time to make sure we achieve our vision for the future.



Angelo Logiudice
Board Chairman

Manager's report

For year ending 30 June 2012

The 2011/2012 financial year has been a challenging one for the Donnybrook and Capel **Community Bank®** branches. It is pleasing to report that we have a combined total of $101 million in deposits and loans on the books for the financial year.

In March this year after nine years of trading, we increased the opening hours of both branches, positive customer feedback and a definite increase in customers visiting the branches has proved to be a great discussion by the Board. Capel and Donnybrook branches are now open from 9.30am to 4.00pm Monday to Thursday and 9.30am to 5.00pm Fridays.

Business is developing well with the support services of our Business Banking Manager, Financial Planner and Agri Business Manager that enables us to provide a diverse range of products and services to our customers.

Our success can be contributed to the team of dedicated and hardworking staff who deliver quality customer service on each and every occasion.

We are all proud to be part of a community-focused bank, dedicated to building long term relationships with our customers, shareholders and the communities we serve.

I would like to take this opportunity to thank our Board of Directors who volunteer their time and knowledge to create a successful **Community Bank®** branch.

Thank you to all who support the Donnybrook and Capel **Community Bank®** Branches. We appreciate your business and look forward to a great 2012/2013 year ahead.

Bernadette Brown
Branch Manager

Bendigo and Adelaide Bank report

For year ending 30 June 2012

Thanks to your support as shareholders the **Community Bank®** network has achieved a significant milestone this year, contributing more than $80 million to support the communities these unique companies operate within.

This figure was almost unimaginable when the **Community Bank®** model was first launched in 1998, in partnership with the people from the small Victorian wheat farming towns of Rupanyup and Minyip. For these communities the **Community Bank®** model was seen as a way to restore branch banking services to the towns, after the last of the major banks closed its services. However, in the years since the **Community Bank®** model has become so much more.

In the past financial year a further 20 **Community Bank®** branches have opened, this growth is in-line with our forecast and consistent with what we have seen in recent years. Demand for the model remains strong and there are currently another 32 **Community Bank®** sites in development, with many more conversations happening with communities Australia wide.

At the end of the financial year 2011/12 the **Community Bank®** network had achieved the following:

- Returns to community – $80 million
- **Community Bank®** branches – 295
- **Community Bank®** branch staff – more than 1,400
- **Community Bank®** branch Directors – 1,905
- Volume footings – $21.75 billion
- Customers – 500,000
- Shareholders – 71,197
- Dividends paid to shareholders – $28.8 million

Almost 300 communities have now partnered with Bendigo and Adelaide Bank, so they can not only enhance banking services, but more importantly aggregate the profits their banking business generates and reinvest it in local groups and projects that will ultimately strengthen their community.

In the past 14 years we have witnessed the **Community Bank®** network's returns to communities grow exponentially each year, with $470,000 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.

Today that figure is an astonishing $80 million and with the continued growth and popularity of the **Community Bank®** model, returns should top $100 million by the end of 2013. These dollars add up to new community facilities, improved services, more opportunities for community engagement activities and generally speaking, a more prosperous society.

The communities we partner with also have access to Bendigo and Adelaide Bank's extensive range of other community building solutions including Community Enterprise Foundation™ (philanthropic arm), Community Sector Banking (banking service for not-for-profit organisations), Generation Green™ (environment and sustainability initiative), Community Telco (telecommunications solution), sponsorships, scholarships and Community Enterprises that provide **Community Bank®** companies with further development options.

In Bendigo and Adelaide Bank, your **Community Bank®** company has a committed and strong partner and over the last financial year our company has also seen much success.

Last December, our Bank joined the ranks of Australia's A-rated banks following an upgrade announced by Standard & Poor's. Its decision to raise our long-term rating from BBB+ to A– means the Bank (and its **Community Bank®** partners) are now rated 'A' by all three of the world's leading credit rating agencies. This is a huge boost to the Bank and will allow us to access new funding opportunities. It will also enable our group to service supporters who were precluded from banking with us because we were not A rated.

The rating upgrade is a welcome boost for the Bank and its partners at a time when funding is expensive and likely to remain so, margins have been eroded across the industry, credit growth is sluggish at best and subsequently, the profitability of banks remains under pressure.

Not surprisingly, these factors continue to place pressure on our Bank's margin and as **Community Bank®** margin share is still in part based on fixed trails, this is continuing to reflect a skew in margin share between the Bank and its **Community Bank®** partners.

We've been working with the **Community Bank®** network to take action to reduce this imbalance (which is in favour of the **Community Bank®** partners) and see the share of revenue on core banking products closely aligned to the key principal of 50/50 revenue share. Recent market developments are challenging this goal, but the Bank and its partners remain committed to addressing this.

It's Bendigo and Adelaide Bank's vision to be Australia's leading customer-connected bank. We believe our strength comes from our focus on the success of our customers, people, partners and communities. We take a 100-year view of our business; we listen and respect every customer's choice, needs and objectives. We partner for sustainable long-term outcomes and aim to be relevant, connected and valued.

This is what drives each and every one of our people and we invite you as **Community Bank®** shareholders to support us as we work with our partners to deliver on our goals and ensure our sustained and shared success.

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 banking and the role it plays in modern society.

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 2012

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

Directors

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

Robert Malcolm Witten (resigned 4 November 2011)
Chairman
Business Proprietor
Board member since December 2002

Walter Bruce Hearman
Director
Farmer and Business Manager
Board member since November 2002

Linda Hay
Director
Business Partner and Bookkeeper
Board member since January 2010

Kingsley John Smith
Director
Chartered Accountant
Board member since 24 February 2011

Patricia Anne Worrell
Director
Primary School Teacher
Board member since April 2010

Angelo Terzo Logiudice
Chairman
Orchardist & Business Proprietor
Board member since March 2007

Cameron Skerman*
Director
Veterinarian
Board member since 28 July 2011

Jefferis Heath
Director
Real Estate Agent
Board member since 28 July 2011

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

* Leave of absence granted

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

The profit of the company for the financial year after provision for tax was $63,390 (2011: $71,388).

Financial position

The net assets of the company have increased from $121,350 at 30 June 2011 to $158,323 for 30 June 2012. The increase is largely due to improved operating performance of the company.

Dividends

Dividends	Year Ended 30 June 2012	
	Cents	$
Dividends paid in the year:	4	26,417

Significant changes in the state of affairs

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

Events after the reporting period

Since balance date, the world financial markets have shown volatility that may have an impact on investment earnings in the 2012/2013 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Future developments

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

Environmental issues

The company is not subject to any significant environmental regulation.

Proceedings on behalf of company

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

Remuneration report

Robert Witten is the Capel bank premises landlord and was paid $19,776 (2011: $19,776) for the year ended 30 June 2012. Rent was paid at normal commercial rates. For the year ended 30 June 2012 Linda Hay was paid $5,742 (2011: $5,412) for accounting and reporting advice to the company. These payments were made under normal commercial arrangements. In line with a resolution at the last AGM, the following directors acting in the 2011/2012 financial year were paid Directors Remuneration totalling $3000. Angelo Logiudice (Chairman) $1000, Linda Hay $400, Kingsley Smith $400, Walter Hearman $400, Jefferis Heath $400 and Patricia Worrell $400.

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.

Indemnifying officers or Auditor

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

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

Directors' meetings

The number of Directors' meetings attended during the year were: 12

Director	Board meetings#
Patricia Anne Worrell	13 (14)
Angelo Terzo Logiudice	14 (14)
Robert Malcolm Witten (resigned 4 November 2011)	5 (5)
Walter Bruce Hearman	13 (14)
Cameron Skerman*	7 (14)*
Linda Hay	11 (14)
Kingsley John Smith	11 (14)
Jefferis Heath	13 (14)

The first number is the meetings attended while in brackets is the number of meetings eligible to attend.
* Leave of absence granted

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.

Auditor independence declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 10 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Donnybrook, Western Australia
17 September 2012.

Angelo Logiudice
Chairman

Auditor's independence declaration

Richmond Sinnott & Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au

www.rsdadvisors.com.au

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

To the Directors of Donnybrook Capel District Community Financial Services Limited

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

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

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 17 September 2012

Financial statements

Statement of comprehensive income for the year ended 30 June 2012

	Note	2012 $	2011 $
Revenue	2	966,449	954,679
Employee benefits expense	3	(523,313)	(476,925)
Depreciation and amortisation expense	3	(31,486)	(29,545)
Finance costs	3	(21,827)	(22,335)
Other expenses		(279,047)	(247,442)
Operating profit/(loss) before charitable donations & sponsorships		**110,776**	**178,432**
Charitable donations and sponsorship		(23,758)	(72,960)
Profit/(loss) before income tax expense		**87,018**	**105,472**
Income tax expense	4	(23,628)	(34,084)
Net Profit/(loss) for the year		**63,390**	**71,388**
Other comprehensive income		-	-
Total comprehensive income for the year		**63,390**	**71,388**
Earnings per share (cents per share)			
- basic for profit for the year	23	9.60	10.81
- diluted for profit for the year	23	9.60	10.81

The accompanying notes form part of these financial statements.

Statement of financial position as at 30 June 2012

	Note	2012 $	2011 $
Assets			
Current Assets			
Cash and cash equivalents	6	156,031	117,142
Receivables	7	92,100	88,738
Other assets	8	6,667	- -
Total Current Assets		**254,798**	**205,880**
Non-Current Assets			
Property, plant and equipment	9	51,506	64,486
Deferred tax assets	4	160,564	184,192
Intangible assets	10	13,690	27,490
Other assets	8	12,777	-
Total Non-Current Assets		**238,537**	**276,168**
Total Assets		**493,335**	**482,048**
Liabilities			
Current Liabilities			
Payables	11	42,792	45,981
Loans and borrowings	12	43,286	280,794
Provisions	13	26,851	33,923
Total Current Liabilities		**112,929**	**360,698**
Non- Current Liabilities			
Loans and borrowings		222,083	-
Total Non-Current Liabilities			
Total Liabilities		**335,012**	**360,698**
Net Assets		**158,323**	**121,350**
Equity			
Issued capital	14	660,435	660,435
Accumulated losses	15	(502,112)	(539,085)
Total Equity		**158,323**	**121,350**

The accompanying notes form part of these financial statements.

Statement of cash flows
for the year ended 30 June 2012

	Note	2012 $	2011 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		941,158	1,040,703
Cash payments in the course of operations		(836,379)	(876,716)
Interest received		2,485	942
Interest paid		(21,827)	(22,335)
Net cash flows from/(used in) operating activities	**16b**	**85,437**	**142,594**
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(4,706)	(50,670)
Net cash flows from/(used in) investing activities		**(4,706)**	**(50,670)**
Cash Flows From Financing Activities			
Repayment of borrowings		(15,425)	(19,206)
Dividends paid		(26,417)	(19,813)
Net cash flows from/(used in) financing activities		**(41,842)**	**(39,019)**
Net increase in cash held		**38,889**	**52,905**
Cash and cash equivalents at start of year		117,142	64,237
Cash and cash equivalents at end of year	**16a**	**156,031**	**117,142**

The accompanying notes form part of these financial statements.

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

	Note	2012 $	2011 $
Issued capital			
Balance at start of year		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		(539,085)	(590,660)
Profit after income tax expense		63,390	71,388
Dividends paid	21	(26,417)	(19,813)
Balance at end of year		**(502,112)**	**(539,085)**

The accompanying notes form part of these financial statements.

Notes to the financial statements

For year ended 30 June 2012

Note 1. Summary of significant accounting policies

(a) Basis of preparation

Donnybrook Capel District Community Financial Services Limited ('the company') is domiciled in Australia. The financial statements for the year ending 30 June 2012 are presented in Australian dollars. The company was incorporated in Australia and the principal operations involve providing community banking services.

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

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

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

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

The financial statements were authorised for issue by the Directors on 17 September 2012.

(b) Income tax

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

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

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

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

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

(c) Property, plant and equipment

Property, plant and equipment are brought to account at cost less accumulated depreciation and any impairment in value.

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%

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment (continued)

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.

(d) Impairment of assets

At each reporting date, the company assesses whether there is any indication that an asset is impaired. Where an indicator of impairment exists, the company makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

(e) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(f) Employee benefits

The provision for employee benefits to wages, salaries and annual leave represents the amount which the company has a present obligation to pay resulting from employees' services provided up to the reporting date. The provision has been calculated on undiscounted amounts based on wage and salary rates expected to be paid and includes related on-costs.

The company contributes to a defined contribution plan. Contributions to employee superannuation funds are charged against income as incurred.

(g) Intangibles

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

(h) Cash

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

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

1. Summary of significant accounting policies (continued)

(i) Revenue

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

(j) Receivables and payables

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

(k) New accounting standards for application in future periods

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

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the 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.

(n) Share capital

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

(o) Comparative figures

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

(p) Critical accounting estimates and judgements

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

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

Estimation of useful lives of assets

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

Income tax

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

Impairment

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

(q) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to the profit or loss immediately.

Classification and subsequent measurement

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

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

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

(ii) Financial liabilities

Non derivative financial liabilities are subsequently measured at amortised cost.

Impairment

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

	2012 $	2011 $
Note 2. Revenue		
Revenue from continuing activities		
- franchise margin income	582,793	547,532
- services commissions	201,221	224,980
- other revenue	179,950	181,225
	963,964	**953,737**
Other revenue		
- interest received	2,485	942
	2,485	942
	966,449	954,679

Note 3. Expenses

	2012 $	2011 $
Employee benefits expense		
- wages and salaries	446,090	396,806
- superannuation costs	42,839	47,045
- other costs	34,384	33,074
	523,313	**476,925**
Depreciation of non-current assets:		
- plant and equipment	17,686	15,746
Amortisation of non-current assets:		
- intangible assets	13,800	13,799
	31,486	**29,545**
Finance Costs		
- interest paid	21,827	22,335
Bad debts	1,095	1,116

	2012 $	2011 $

Note 4. Income tax expense

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

	2012 $	2011 $
Prima facie tax on profit before income tax at 30%	26,106	31,642
Add / (less) tax effect of:		
- Non-deductible / (other deductible) expenses	(2,367)	2,442
- (over)/under provision of income tax in prior year	(111)	-
Current income tax expense	**23,628**	**34,084**
Income tax expense	**23,628**	**34,084**
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.	**160,564**	**184,192**

Note 5. Auditors' remuneration

Remuneration of the Auditor for:

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

Note 6. Cash and cash equivalents

	2012 $	2011 $
Cash at bank	155,731	116,842
Cash on hand	300	300
	156,031	117,142

Note 7. Receivables

	2012 $	2011 $
Trade debtors	88,303	84,778
Prepaid expense	3,797	3,960
	92,100	88,738

Note 8. Other assets

	2012 $	2011 $
Current		
Donnybrook Football club loan	6,667	-
Non current		
Donnybrook Football club loan	12,777	-
	19,444	**-**

This is an interest free loan to the football club to be paid by monthly instalments over 36 months.

	2012 $	2011 $

Note 9. 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	154,649
Less accumulated depreciation	(138,727)	(133,284)
	15,922	**21,365**
Furniture & fittings		
At cost	40,722	36,015
Less accumulated depreciation	(29,804)	(26,368)
	10,918	9,647
Motor Vehicle		
At cost	44,091	44,091
Less accumulated depreciation	(19,425)	(10,617)
	24,666	**33,474**
Total written down amount	**51,506**	**64,486**
Movements in carrying amounts		
Building improvements		
Carrying amount at beginning of year	21,365	1,230
Additions	-	24,753
Disposals	-	-
Depreciation expense	(5,443)	(4,618)
Carrying amount at end of year	**15,922**	**21,365**
Furniture & fittings		
Carrying amount at beginning of year	9,647	9,108
Additions	4,706	3,190
Disposals	-	-
Depreciation expense	(3,436)	(2,651)
Carrying amount at end of year	10,917	9,647

	2012 $	2011 $

Note 9. Property, plant and equipment (continued)

Movements in carrying amounts (continued)

	2012 $	2011 $
Motor Vehicle		
Carrying amount at beginning of year	33,474	19,224
Additions	-	22,727
Disposals	-	-
Depreciation expense	(8,808)	(8,477)
Carrying amount at end of year	**24,666**	**33,474**

Note 10. Intangible assets

Franchise Fee

	2012 $	2011 $
At cost	128,862	128,861
Less accumulated amortisation	(115,172)	(101,371)
	13,690	**27,490**

Note 11. Payables

	2012 $	2011 $
Trade creditors	16,622	12,469
Other creditors and accruals	26,170	33,512
	42,792	**45,981**

Note 12. Loans and borrowings

	2012 $	2011 $
Credit card	2,162	794
Bank loan - current	41,124	280,000
	43,286	280,794
Bank loan - non current	222,093	-

The bank loan is principal and interest variable non residential secured loan over a 10 year period and the current interest rate is 6.478%.

	2012 $	2011 $

Note 13. Provisions

	2012 $	2011 $
Employee benefits	**26,851**	**33,923**
Movement in employee benefits		
Opening balance	33,923	25,782
Additional provisions recognised	357	30,523
Amounts utilised during the year	(7,429)	(22,382)
Closing balance	**26,851**	**33,923**

Note 14. Share capital

	2012 $	2011 $
Ordinary Shares fully paid of $1 each	**660,435**	**660,435**

The company has authorised share capital amounting to 660,435 ordinary shares.

Note 15. Accumulated losses

	2012 $	2011 $
Balance at the beginning of year	(539,085)	(590,660)
Less: Dividends paid	(26,417)	(19,813)
Net profit after income tax	63,390	71,388
Balance at the end of year	**(502,112)**	**(539,085)**

Note 16. Statement of cash flows

	2012 $	2011 $
(a) Cash and cash equivalents		
Cash at bank	156,031	117,142
	156,031	**117,142**
(b) Reconciliation of profit after tax to net cash from operating activities		
Profit after income tax	63,390	71,388
Non cash items		
- Depreciation	17,686	15,746
- Amortisation	13,800	13,799
Changes in assets and liabilities		
- (Increase) decrease in receivables	(22,806)	(8,037)
- Increase (decrease) in provisions	(7,072)	8,141
- Increase (decrease) in payables	(3,189)	7,473
- (Increase) decrease in deferred income tax asset	23,628	34,084
Net cashflows provided from / (used in) operating activities	**85,437**	**142,594**

Note 17. Director and related party disclosures

Robert Witten is the Capel bank premises landlord and was paid $19,776 (2011: $19,776) for the year ended 30 June 2012. Rent was paid at normal commercial rates. For the year ended 30 June 2012 Linda Hay was paid $5,742 (2011: $5,412) for accounting and reporting advice to the company. These payments were made under normal commercial arrangements.

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

Directors' shareholding	2012	2011
Patricia Anne Worrell	1,000	1,000
Angelo Terzo Logiudice	250	250
Robert Malcolm Witten (resigned 4 November 2011)	2,000	2,000
Walter Bruce Hearman	2,000	2,000
Cameron Skerman*	-	-
Linda Hay	-	-
Kingsley John Smith	5,000	5,000
Jefferis Heath	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.

In line with a resolution at the last AGM, the following directors acting in the 2011/2012 financial year were paid Directors Remuneration totalling $3,000.

Directors' shareholding	2012
Patricia Anne Worrell	400
Angelo Terzo Logiudice	1,000
Robert Malcolm Witten (resigned 4 November 2011)	-
Walter Bruce Hearman	400
Cameron Skerman*	-
Linda Hay	400
Kingsley John Smith	400
Jefferis Heath	400

Note 18. Events after the reporting period

Since the balance date, world financial markets have shown volatility that may have an impact on investment earnings in the 2012/13 financial year. The company continues to maintain a conservative investment strategy to manage the exposure to market volatility.

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

Note 19. Contingent liabilities and assets

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

Note 20. Operating segments

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.

	2012 $	**2011 $**

Note 21. Dividends paid or provided for on ordinary shares

(a) Dividends paid during the year		
Unfranked dividends - 4 cents per share (2011: 3 cents per share)	26,417	19,813

22. 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

23. 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	**63,390**	**71,388**
Weighted average number of ordinary shares for basic and diluted earnings per share	**660,435**	**660,435**

Note 24. Financial risk management

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

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

	Note	2012 $	2011 $
Financial Assets			
Cash & cash equivalents	6	156,031	117,142
Receivables	7	92,100	88,738
Total Financial Assets		**248,131**	**205,880**
Financial Liabilities			
Payables	11	42,792	45,981
Total Financial Liabilities		**42,792**	**45,981**

Financial risk management policies

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Specific Financial Risk Exposure and Management

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

(a) Credit Risk

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

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

The company's maximum exposure to credit risk at reporting date was:

	Carrying amount	
	2012 $	2011 $
Cash and cash equivalents	156,031	117,142
Receivables	92,100	88,738
	248,131	**205,880**

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

None of the assets of the company are past due (2011: nil past due) and based on historic default rates, the company believes that no impairment allowance is necessary in respect of assets not past due.

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

Note 24. Financial risk management (continued)

(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 established an overdraft facility of $265,369 with Bendigo & Adelaide Bank Limited.

Financial liability and financial asset maturity analysis

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2012				
Financial liabilities due for payment				
Payables	(42,792)	(42,792)	–	–
Loans and borrowings	(43,286)	(43,286)	–	–
Total expected outflows	**(86,078)**	**(86,078)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	156,031	156,031	–	–
Receivables	92,100	92,100	–	–
Loan	263,217	41,124	222,093	
Total anticipated inflows	**511,348**	**289,255**	**222,093**	**–**
Net (outflow)/inflow on financial instruments	**425,270**	**203,177**	**222,093**	**–**

Note 24. Financial risk management (continued)

(b) Liquidity risk (continued)

Financial liability and financial asset maturity analysis (continued)

	Total $	Within 1 year $	1 to 5 years $	Over 5 years $
30 June 2011				
Financial liabilities due for payment				
Payables	(45,981)	(45,981)	–	–
Loans and borrowings	(280,794)	(280,794)	–	–
Total expected outflows	**(326,775)**	**(326,775)**	**–**	**–**
Financial assets - cashflow realisable				
Cash & cash equivalents	117,142	117,142	–	–
Receivables	88,738	88,738	–	–
Total anticipated inflows	**205,880**	**205,880**	**–**	**–**
Net (outflow)/inflow on financial instruments	**(120,895)**	**(120,895)**	**–**	**–**

* The Bank overdraft has no set repayment period and as such all has been included as current.

Financial assets pledged as collateral

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

(c) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

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 24. 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	
	2012	**2011**
	$	**$**
Fixed rate instruments		
Financial assets	-	-
Financial liabilities	43,286	280,794
	43,286	**280,794**
Floating rate instruments		
Financial assets	156,031	117,142
Financial liabilities	2,162	(794)
	158,193	**116,348**

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2011 there was also no impact. As atboth dates this assumes all other variables remain constant.

The company has no exposure to fluctuations in foreign currency.

(d) Price risk

The company is not exposed to any material price risk.

Fair values

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

Note 24. Financial risk management (continued)

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 2012 can be seen in the Statement of Comprehensive Income. There were no changes in the company's approach to capital management during the year.

Directors' declaration

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

1 the financial statements and notes of the company as set out on pages 11 to 30 are in accordance with the Corporations Act 2001 and:

   (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 complying with Accounting Standards in Australia and Corporations;

   (ii) Regulations 2001; and

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

Angelo Logiudice
Chairman

Signed in Donnybrook on 17 September 2012.

Independent audit report

Richmond
Sinnott &
Delahunty
Chartered Accountants

Level 2, 10-16 Forest Street
Bendigo, Victoria
PO Box 30, Bendigo, VIC 3552

Telephone: (03) 5445 4200
Fax: (03) 5444 4344
Email: rsd@rsdadvisors.com.au
www.rsdadvisors.com.au

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

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion:

(a) the financial report of Donnybrook Capel District Community Financial Services Limited is in accordance with the Corporations Act 2001, including:

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

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

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

Richmond Sinnott & Delahunty

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

W. J. SINNOTT
Partner

Dated at Bendigo, 17 September 2012

Donnybrook **Community Bank®** Branch
70 Southwest Highway, Donnybrook WA 6239
Phone: (08) 9731 2446 Fax: (08) 9731 2448

Capel **Community Bank®** Branch
93 Capel Drive, Capel WA 6271
Phone: (08) 9727 1355 Fax: (08) 9727 1726

Franchisee: Donnybrook Capel Districts Community
Financial Services Limited
70 Southwest Highway, Donnybrook WA 6239
Phone: (08) 9731 2446 Fax: (08) 9731 2448
ABN: 23 103 003 416

www.bendigobank.com.au/donnybrook
(KKWAR12002) (08/12)

Bendigo Bank