

Chittering Financial Services Limited  
ABN 77 096 017 506

2010  
**Annual**  
**Report**

Bullsbrook Bindoon Ellenbrook   
**Community Bank**<sup>®</sup> Branch **Bendigo Bank**



Chittering Financial Services Ltd

ABN 77 096 017 506

Financial Report for the year ended 30 June 2010

C O N T E N T S

Chairman's Report

Manager's Report

Directors Report

Auditor's Independence Declaration

Statement of Income

Statement of Financial Position

Statement of Cash Flows

Statement of Changes in Equity

Notes to the Financial Statements

Directors Declaration

## Chairman's Report

The Bullsbrook and Bindoon **Community Bank**® branches are now well established and well supported by the local communities and continue to grow at a steady pace. The opening of our Ellenbrook branch consolidated a geographic block extending from Bindoon in the north, through Bullsbrook to Ellenbrook in the south. This service covers the locations of Muchea, Upper Swan, The Vines and the new suburbs surrounding Ellenbrook. This geographical spread enables our branches to offer services to more than 30,000 people.

After six months trading, the Ellenbrook branch is already ahead of budget and is considered to have great future potential. As with all businesses, we were not immune to the Global Financial Crisis. The Global Financial Crisis, together with the considerable cost of opening the new branch has certainly affected our bottom line with no shareholder distribution recommended this year.

Financial Year	Cents per share	Total distribution
2006/07	5 cents	\$24,935
2007/08	10 cents	\$49,871
2008/09	10 cents	\$49,871
2009/10	--	--

Bullsbrook and Bindoon **Community Bank**® branches have however maintained our funding to local voluntary organisations and sporting bodies continuing our commitment to support our community organisations.

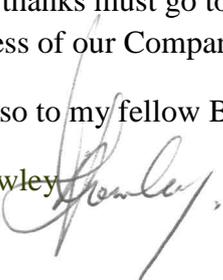
Financial Year	Sponsorships	Donations	Community Enterprise Fund	Total
2006/07	500	1,140		1,640
2007/08	1,600	5,000		6,600
2008/09	6,250	7,240	\$15,000	28,490
2009/10	5,291	7,162		12,452

With the expected rapid growth of the Ellenbrook branch and the continued steady growth of the Bullsbrook and Bindoon **Community Bank**® branches the Chattering Financial Services Board believe the future is looking bright. We anticipate a steady increase in the amount returned to the community and to be able to reward our very patient and loyal shareholders. Please remember we can only support your local community if you help us by transferring your banking business.

A special thanks must go to Manager Ray Povey and his staff for the valued contribution they have made to the progress of our Company through dedication and personal service.

Thanks also to my fellow Board members for their application during this difficult but progressive year.

Bruce Rowley  
Chairman



## **Manager's Report**

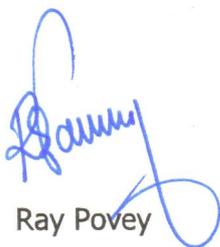
After five years as the Manager I am pleased that I can report on a successful and inspiring year for the team. With a team that is dedicated to customer service excellence, professional in their knowledge of product and services and with an admirable ability to work together, it is really a superb opportunity to really respond to our local community and be the best. We have worked very hard to assist and serve customers through some tough economic times which at times has proven to be very difficult for the staff. We have managed to maintain good relationships and built the team to be even better at the job. I'm very pleased to be a part of this great team.

This year we have focused on building and retaining staff, especially as the job became difficult with the changing economy. This has allowed us to focus on product and service skills in the Branch. Better training and new skills have brought new opportunities for staff in the team and they have relished the challenge. I appreciate their willingness to grow and develop whilst still maintaining their customer focus.

Growth of the portfolio and customers continues and I am pleased to see it exceed our budgeted expectations. The squeeze on the margin income has had a significant impact on the Company financial position, but we are seeing improvement in the general economic conditions and I expect that this will see our business develop and success grow too. The rate of growth has been maintained despite the more challenging economic conditions and competition with the banking sector. The rates growth has slowed but we anticipate that as the monetary policy influences ease business will improve as well.

The Board also deserves acknowledgment – they work very hard to manage the company and guide it through growth. They support and promote the business at every opportunity and provide us with an excellent environment in which to work. I would also like to extend appreciation on behalf of the staff to you the shareholders – your investments and commitment have made it all possible.

Finally no-one works on their own and many of the achievements of the past year are attributed to the wonderful team with whom that I work every day at the branches. So I thank them too.



Ray Povey

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**Chittering Financial Services Limited**  
**Financial Statements**  
**as at**  
**30 June 2010**

Chittering Financial Services Limited  
ABN 77 096 017 506  
Directors' Report

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

### Directors

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

Bruce Sydney Rowley  
Chairman  
Retired

Delma Jean Baum  
Secretary  
Business Proprietor

Ross Albert Bishop  
Non-Executive Director  
Licensee of liquor store

Ian David Smith  
Non-Executive Director  
Retired

Gemma Diane Bonomi  
Non-Executive Director  
Company Director

Diane Lee Broad  
Non-Executive Director  
Retired farmer & journalist

Kevin Bailey (appointed 16 March 2010)  
Non-Executive Director  
Business Owner

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

No Directors have material interests in contracts or proposed contracts with the Company.

### Principal activities

The principal activities of the Company during the course of the financial year were in providing community banking services under management rights to operate franchised branches of Bendigo and Adelaide Bank Limited.

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

### Operating Results

Operations have continued to perform in line with expectations. The profit/(loss) of the Company for the financial year after provision for income tax was (\$57,275) (2009: \$93,081).

Dividends	Year Ended 30 June 2010	
	Cents Per Share	\$
Dividends paid in the year:		
- As recommended in the prior year report	10	49,871

### 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.

A new branch at Ellenbrook was opened during the year.

### Significant events after the balance date

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

### Likely Developments

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

### Directors' Benefits

Bruce Rowley is the landlord for the Bindoon branch premises and rent for the year ended 30 June 2010 of \$11,645 (2009: \$10,976) was paid. Delma Baum received \$6,600 (2009: \$6,600) for the year ended 30 June 2010 to host the company website. Gemma Bonomi is a director of Bon Electrics Pty Ltd who provided electrical work for the Ellenbrook branch at a cost of \$24,129 (2009: nil).

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.

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 #	Audit Committee Meetings #
Bruce Sydney Rowley	9 (12)	N/A
Delma Jean Baum	11 (12)	N/A
Ross Albert Bishop	11 (12)	1 (1)
Ian David Smith	11 (12)	1 (1)
Gemma Diane Bonomi	10 (12)	N/A
Diane Lee Broad	11 (12)	N/A
Kevin Bailey (appointed 16 March 2010)	2 (4)	N/A

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

N/A - not a member of that Committee.

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Directors' Report**

**Company Secretary**

Delma Jean Baum has been the company secretary of Chittering Financial Services Limited since 2001. Her qualifications and experience include a background in engineering prior to migrating to Australia in 1996. She was the Director of a computer software development company since 1978 and former President of the Volunteer Sea Search and Rescue Association of WA.

**Corporate Governance**

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

- (a) The establishment of an audit committee. Members of the audit committee are Ross Bishop, Ian Smith and Ray Povey (Bank Manager);
- (b) Director approval of operating budgets and monitoring of progress against these budgets;
- (c) Ongoing Director training; and
- (d) Monthly Director meetings to discuss performance and strategic plans.

**Auditor Independence Declaration**

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

**Richmond Sinnott & Delahunty**  
Chartered Accountants



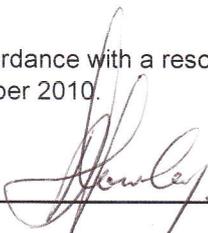
172 Melvor Road  
PO Box 30  
Bendigo, 3552  
Ph. 03 5443 1177  
Fax. 03 5444 4344  
E-mail: [rsd@rsdadvisors.com.au](mailto:rsd@rsdadvisors.com.au)

**Auditor's Independence Declaration**

In relation to our audit of the financial report of Chittering Financial Services Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

**Warren Sinnott**  
Partner  
Richmond Sinnott & Delahunty  
Bendigo  
10 September 2010

Signed in accordance with a resolution of the Board of Directors at Bullsbrook on 10 September 2010.

  
\_\_\_\_\_  
Bruce Sydney Rowley, Chairman

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Statement of Comprehensive Income**  
**for the year ended 30 June 2010**

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
Revenue from ordinary activities	2	1,056,060	873,698
Employee benefits expense	3	(715,964)	(475,313)
Charitable donations and sponsorship		(7,937)	(6,054)
Depreciation and amortisation expense	3	(64,960)	(24,146)
Finance costs	3	(5,992)	(2)
Other expenses from ordinary activities		<u>(336,847)</u>	<u>(225,390)</u>
<b>Profit/(Loss) before income tax expense</b>		(75,640)	142,793
Income tax expense/(benefit)	4	<u>(18,365)</u>	<u>49,712</u>
<b>Profit/(Loss) after income tax expense</b>		(57,275)	93,081
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u><u>(57,275)</u></u>	<u><u>93,081</u></u>
<b>Earnings per share (cents per share)</b>			
- basic for profit/(loss) for the year	22	(11.48)	27.40
- diluted for profit/(loss) for the year	22	(11.48)	27.40

The accompanying notes form part of these financial statements

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Statement of Financial Position**  
**As at 30 June 2010**

	<u>Notes</u>	<b>2010</b> <b>\$</b>	<b>2009</b> <b>\$</b>
<b>Current Assets</b>			
Cash and cash equivalents	6	64,432	294,263
Receivables	7	117,327	89,249
<b>Total Current Assets</b>		<u>181,759</u>	<u>383,512</u>
<b>Non-Current Assets</b>			
Property, plant and equipment	8	216,825	26,278
Deferred tax asset	4	21,703	-
Intangible assets	9	41,946	35,041
<b>Total Non-Current Assets</b>		<u>280,474</u>	<u>61,319</u>
<b>Total Assets</b>		<u>462,233</u>	<u>444,831</u>
<b>Current Liabilities</b>			
Payables	10	65,699	55,939
Loans and borrowings	11	33,000	-
Current tax payable	4	-	6,515
Provisions	12	30,020	27,747
<b>Total Current Liabilities</b>		<u>128,719</u>	<u>90,201</u>
<b>Non-Current Liabilities</b>			
Provisions	12	12,260	11,237
Loans and borrowings	11	85,007	-
<b>Total Non-Current Liabilities</b>		<u>97,267</u>	<u>11,237</u>
<b>Total Liabilities</b>		<u>225,986</u>	<u>101,438</u>
<b>Net Assets</b>		<u>236,247</u>	<u>343,393</u>
<b>Equity</b>			
Share capital	13	495,209	495,209
Accumulated losses	14	(258,962)	(151,816)
<b>Total Equity</b>		<u>236,247</u>	<u>343,393</u>

The accompanying notes form part of these financial statements

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Statement of Cash Flows**  
**For the year ended 30 June 2010**

	<u>Notes</u>	<b>2010</b> \$	<b>2009</b> \$
<b>Cash Flows From Operating Activities</b>			
Cash receipts in the course of operations		1,134,152	960,666
Cash payments in the course of operations		(1,153,881)	(776,466)
Interest paid		(5,992)	(2)
Interest received		19	115
Income tax paid		(9,853)	-
<b>Net cash flows from/(used in) operating activities</b>	15b	<u>(35,555)</u>	<u>184,313</u>
<b>Cash Flows From Investing Activities</b>			
Payment for intangible assets		(33,018)	(35,083)
Payments for property, plant and equipment		(229,394)	(3,879)
<b>Net cash flows from/(used in) investing activities</b>		<u>(262,412)</u>	<u>(38,962)</u>
<b>Cash Flows From Financing Activities</b>			
Dividends paid		(49,871)	(49,871)
Proceeds from borrowings		118,007	-
<b>Net cash flows from/(used in) financing activities</b>		<u>68,136</u>	<u>(49,871)</u>
<b>Net increase/(decrease) in cash held</b>		(229,831)	95,480
Cash and cash equivalents at start of year		294,263	198,783
<b>Cash and cash equivalents at end of year</b>	15a	<u>64,432</u>	<u>294,263</u>

The accompanying notes form part of these financial statements

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Statement of Changes in Equity**  
**for the year ended 30 June 2010**

	<u>Notes</u>	<b>2010</b> \$	<b>2009</b> \$
<b>SHARE CAPITAL</b>			
Balance at start of year		495,209	495,209
Issue of share capital		-	-
Share issue costs		-	-
<b>Balance at end of year</b>		<u>495,209</u>	<u>495,209</u>
<b>ACCUMULATED LOSSES</b>			
Balance at start of year		(151,816)	(195,026)
Profit/(Loss) after income tax expense		(57,275)	93,081
Dividends paid	21	<u>(49,871)</u>	<u>(49,871)</u>
<b>Balance at end of year</b>		<u>(258,962)</u>	<u>(151,816)</u>

The accompanying notes form part of these financial statements

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**1. Basis of preparation of the Financial Report**

**(a) Basis of preparation**

Chittering Financial Services Limited ('the Company') is domiciled in Australia. The financial statements for the year ending 30 June 2010 are presented in Australian dollars. The Company was incorporated in Australia and the principal operations involve providing community banking 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 10 September 2010.

**(b) Statement of compliance**

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

**(c) Significant accounting policies**

The following is a summary of the material accounting policies adopted. The accounting policies have been consistently applied and are consistent with those applied in the 30 June 2009 financial statements.

**Income tax**

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

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

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

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

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.

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**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.

Land and buildings are measured at fair value less accumulated depreciation.

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

<i>Class of Asset</i>	<i>Depreciation Rate</i>
Plant & Equipment	18.75-40%

*Impairment*

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

*Revaluations*

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

**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.

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

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

**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.

**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.

**Intangibles**

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

**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.

**Comparative Figures**

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

**Revenue**

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

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

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

**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.

**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.

**2. Revenue from ordinary activities**

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Operating activities		
- services commissions	<u>1,056,041</u>	<u>873,583</u>
Total revenue from operating activities	<u>1,056,041</u>	<u>873,583</u>
Non-operating activities:		
- interest received	<u>19</u>	<u>115</u>
Total revenue from non-operating activities	<u>19</u>	<u>115</u>
Total revenue from ordinary activities	<u><u>1,056,060</u></u>	<u><u>873,698</u></u>

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

<b>3. Expenses</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Employee benefits expense		
- wages and salaries	623,135	418,494
- superannuation costs	59,363	36,246
- other costs	33,466	20,573
	<u>715,964</u>	<u>475,313</u>
 Depreciation of non-current assets:		
- plant and equipment	38,847	9,104
 Amortisation of non-current assets:		
- intangibles	26,113	15,042
	<u>64,960</u>	<u>24,146</u>
 Finance Costs:		
- Interest paid	5,992	2
 Bad debts	3,133	298
 <b>4. Income Tax Expense</b>		
The prima facie tax on profit/(loss) before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit before income tax at 30%	(22,692)	42,838
Add tax effect of:		
- Non-deductible expenses	989	6,874
- Under provision of tax in prior year	3,338	-
<i>Current income tax expense/(benefit)</i>	<u>(18,365)</u>	<u>49,712</u>
Income tax expense/(benefit)	<u>(18,365)</u>	<u>49,712</u>
 <b>Tax liabilities</b>		
Current tax payable	<u>-</u>	<u>6,515</u>
 <b>Deferred tax asset</b>		
Future income tax benefits arising from tax losses are recognised at reporting date as realisation of the benefit is regarded as probable.	<u>21,703</u>	<u>-</u>

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

<b>5. Auditors' Remuneration</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Amounts received or due and receivable by Richmond Sinnott & Delahunty, for:		
- Audit or review of the financial report of the Company	3,900	3,650
	<u>3,900</u>	<u>3,650</u>
<b>6. Cash and Cash Equivalents</b>		
Cash at bank and on hand	<u>64,432</u>	<u>294,263</u>
<b>7. Receivables</b>		
Prepayments	230	229
Trade and other debtors	117,097	89,020
	<u>117,327</u>	<u>89,249</u>
<b>8. Property, Plant and Equipment</b>		
<i>Plant and equipment</i>		
At cost	445,691	216,297
Less accumulated depreciation	(228,866)	(190,019)
	<u>216,825</u>	<u>26,278</u>
Total written down amount	<u>216,825</u>	<u>26,278</u>
<b>Movements in carrying amounts</b>		
<i>Plant and equipment</i>		
Carrying amount at beginning of year	26,278	31,503
Additions	229,394	3,879
Disposals	-	-
Depreciation expense	(38,847)	(9,104)
Carrying amount at end of year	<u>216,825</u>	<u>26,278</u>

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

<b>9. Intangible Assets</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<i>Franchise Fee</i>		
At cost	70,000	50,000
Less accumulated amortisation	<u>(37,084)</u>	<u>(20,000)</u>
	<u><u>32,916</u></u>	<u><u>30,000</u></u>
 <i>Preliminary Expenses</i>		
At cost	18,060	18,149
Less accumulated amortisation	<u>(9,030)</u>	<u>(13,108)</u>
	<u><u>9,030</u></u>	<u><u>5,041</u></u>
 Total written down amount	<u><u>41,946</u></u>	<u><u>35,041</u></u>
 <b>10. Payables</b>		
Trade creditors	46,607	35,794
GST payable	19,092	16,929
Dividend payable	-	3,216
	<u><u>65,699</u></u>	<u><u>55,939</u></u>
 <b>11. Loans and Borrowings</b>		
<i>Current</i>		
Bank Loan	<u><u>33,000</u></u>	<u><u>-</u></u>
<i>Non-Current</i>		
Bank Loan	<u><u>85,007</u></u>	<u><u>-</u></u>
 <b>12. Provisions</b>		
Current employee benefits	<u><u>30,020</u></u>	<u><u>27,747</u></u>
Non-current employee benefits	<u><u>12,260</u></u>	<u><u>11,237</u></u>
 <b>13. Share Capital</b>		
498,709 Ordinary Shares fully paid of \$1 each	498,709	498,709
Cost of raising equity	<u>(3,500)</u>	<u>(3,500)</u>
	<u><u>495,209</u></u>	<u><u>495,209</u></u>
 <b>14. Accumulated Losses</b>		
Balance at the beginning of the financial year	(151,816)	(195,026)
Profit/(loss) after income tax	(57,275)	93,081
Dividends	<u>(49,871)</u>	<u>(49,871)</u>
Balance at the end of the financial year	<u><u>(258,962)</u></u>	<u><u>(151,816)</u></u>

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

<b>15. Statement of Cash Flows</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Cash and cash equivalents</b>		
Cash assets	<u>64,432</u>	<u>294,263</u>
<b>(b) Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities</b>		
Profit/(loss) after income tax	(57,275)	93,081
Non cash items		
- Depreciation	38,847	9,104
- Amortisation	26,113	15,042
Changes in assets and liabilities		
- (Increase) decrease in receivables	(28,078)	(932)
- (Increase) decrease in deferred income tax asset	(21,703)	43,197
- Increase (decrease) in income tax payable	(6,515)	6,515
- Increase (decrease) in payables	9,760	(4,606)
- Increase (decrease) in provisions	3,296	22,912
Net cashflows from/(used in) operating activities	<u>(35,555)</u>	<u>184,313</u>

**16. Director and Related Party Disclosures**

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

Bruce Sydney Rowley  
 Delma Jean Baum  
 Ross Albert Bishop  
 Ian David Smith  
 Gemma Diane Bonomi  
 Diane Lee Broad  
 Kevin Bailey (appointed 16 March 2010)

Bruce Rowley is the landlord for the Bindoon branch premises and rent for the year ended 30 June 2010 of \$11,645 (2009: \$10,976) was paid. Delma Baum received \$6,600 (2009: \$6,600) for the year ended 30 June 2010 to host the company website. Gemma Bonomi is a director of Bon Electrics Pty Ltd who provided electrical work for the Ellenbrook branch at a cost of \$24,129 (2009: nil).

No other director or related entity has entered into a material contract with the Company. No director's fees have been paid as the positions are held on a voluntary basis.

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

**16. Director and Related Party Disclosures (continued)**

<b>Directors shareholdings</b>	<b>2010</b>	<b>2009</b>
Bruce Sydney Rowley	15,000	10,000
Delma Jean Baum	1	201
Ross Albert Bishop	10,000	10,000
Ian David Smith	500	500
Gemma Diane Bonomi	1,000	1,000
Diane Lee Broad	-	-
Kevin Bailey (appointed 16 March 2010)	-	-

Bruce Rowley purchased 5,000 shares during the year and Delma Baum was holding 200 shares in trust to children who now hold them in their own right. There was no other movement in directors shareholdings during the year. Each share held has a paid up value of \$1 and is fully paid.

**17. Subsequent Events**

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

**18. Contingent Liabilities**

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

**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 three geographic areas being Bullsbrook, Bindoon and Ellenbrook, Western Australia.

**20. Corporate Information**

Chittering Financial Services Limited is a company limited by shares incorporated in Australia

The registered office is: 185 Powderbark Road  
Lower Chittering WA 6084

The principal place's of business are: 2533 Great Northern Highway  
Bullsbrook WA 6084

13 Binda Place  
Bindoon WA 6502

Shop 6, 38 Main Street  
Ellenbrook WA 6069

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**for the year ended 30 June 2010**

<b>21. Dividends paid or provided for on ordinary shares</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>Dividends paid during the year</b>		
Unfranked dividends - 10 cents per share (2009: 10 cents per share)	<u>49,871</u>	<u>49,871</u>

The tax rate at which dividends have been franked is 0% (2009: 0%).

**22. Earnings per share**

Basic earnings per share amounts are calculated by dividing profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing profit/(loss) after income tax by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options or preference shares).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Profit/(Loss) after income tax expense	<u>(57,275)</u>	<u>93,081</u>
Weighted average number of ordinary shares for basic and diluted earnings per share	<u>498,709</u>	<u>498,709</u>

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**23. Financial risk management**

The Company has exposure to credit risk, liquidity risk and market risk from their use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit Committee which reports regularly to the Board. The Audit Committee is assisted in the area of risk management by an internal audit function.

**(a) Credit Risk**

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

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

	<b>Carrying Amount</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Cash assets	64,432	294,263
Receivables	117,327	89,249
	<u>181,759</u>	<u>383,512</u>

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

None of the assets of the Company are past due (2009: nil past due) and based on historic default rates, the Company believes that no impairment allowance is necessary in respect of assets not past due.

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

**(b) Liquidity risk**

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

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

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**23. Financial risk management (continued)**

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

	Carrying amount \$	Contractual cash flows \$	1 year or less \$	over 1 to 5 years \$	more than 5 years \$
<b>30 June 2010</b>					
Payables	65,699	(65,699)	(65,699)	-	-
Loans and borrowings	118,007	(146,960)	(33,000)	(113,960)	-
	<u>183,706</u>	<u>(212,659)</u>	<u>(98,699)</u>	<u>(113,960)</u>	<u>-</u>
<b>30 June 2009</b>					
Payables	55,939	(55,939)	(55,939)	-	-
	<u>55,939</u>	<u>(55,939)</u>	<u>(55,939)</u>	<u>-</u>	<u>-</u>

**(c) Market risk**

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

***Interest Rate Risk***

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

**Sensitivity analysis**

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

	<u>Carrying Amount</u>	
	2010 \$	2009 \$
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	-	-
	<u>-</u>	<u>-</u>
<b>Variable rate instruments</b>		
Financial assets	64,432	294,263
Financial liabilities	(118,007)	-
	<u>(53,575)</u>	<u>294,263</u>

***Fair value sensitivity analysis for fixed rate instruments***

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

***Cash flow sensitivity analysis for variable rate instruments***

A change of 100 basis points in interest rates at the reporting date would have no impact on profit or retained earnings. For the analysis performed on the same basis as at 30 June 2009 there was also no impact. As at both dates this assumes all other variables remain constant.

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2010**

**24. Financial risk management (continued)**

**(d) Net fair values**

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

**(e) Capital management**

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

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

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

The Board is managing the growth of the business in line with this requirement. There are no other externally imposed capital requirements, although the nature of the Company is such that amounts will be paid in the form of charitable donations and sponsorship. Charitable donations and sponsorship paid for the year ended 30 June 2010 can be seen in the Statement of Comprehensive Income.

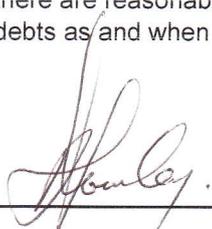
There were no changes in the Company's approach to capital management during the year.

**Chittering Financial Services Limited**  
**ABN 77 096 017 506**  
**Directors' Declaration**

In accordance with a resolution of the directors of Chittering Financial Services Limited,  
I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards in Australia and Corporations Regulations 2001;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.



---

Bruce Sydney Rowley, Chairman

Signed at Bullsbrook on 10 September 2010.

# Richmond Sinnott & Delahunty

Chartered Accountants



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

10 September 2010

The Directors  
Chittering Financial Services Limited  
PO Box 300  
BULLSBROOK WA 6084

Dear Directors

## Auditor's Independence Declaration

In relation to our audit of the financial report of Chittering Financial Services Limited for the year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Warren Sinnott  
Partner  
Richmond Sinnott & Delahunty

10 September 2010

Richmond Sinnott & Delahunty  
P0 Box 30  
BENDIGO VIC 3552

***RE: CHITTERING FINANCIAL SERVICES LIMITED AUDIT***

Dear Sirs

Pursuant to your request in and connection with your audit of Chittering Financial Services Limited ('the Company') for the year ended 30 June 2010, we submit the following representations after making appropriate enquiries and according to the best of our knowledge and belief.

**General**

1. All financial records and related data have been made available for inspection. All material transactions have been properly recorded in the accounting records underlying the financial statements.
2. There have been no irregularities involving management or employees that could have an effect on the financial statements.
3. Except as disclosed to you there have been no:
  - Violations or possible violations of laws or regulations, the effects of which should be considered for disclosure in the financial report or as a basis for recording a contingent loss; or
  - Communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices.
4. We have established and maintained an adequate internal control structure to facilitate the preparation of reliable financial statements.
5. We have no plans or intentions that may materially affect the carrying values, or classifications of assets and liabilities.

**Assets**

6. There were no deficiencies or encumbrances attaching to the title of the assets of the Company at balance date other than those reflected in the financial statements.

## **Liabilities**

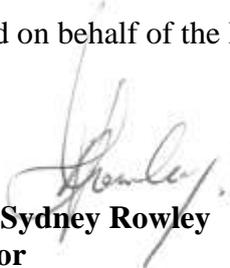
7. All liabilities which have arisen out of the activities of the Company to the end of the financial year have been included in the financial report.
8. There are no contractual commitments for capital expenditure at balance date not included in the financial statements.
9. There are no contingent liabilities, including guarantees, at balance date, which are not disclosed in the financial statements or the notes thereto.

## **Other**

10. No events have occurred subsequent to balance date, which would require adjustments to, or disclosure in the financial statements.
11. The Board has completed budgets and cashflow projections for the coming year and is satisfied that the Company will continue as a going concern.
12. Other than as detailed in the financial statements, the Company is not aware of any breach or non-compliance with the terms of any contractual arrangements, however caused, which could initiate claims on the Company and which would have a material effect on the financial statements.
14. The minutes of the Directors Meetings made available to you are a complete and authentic record of all meetings since 1 July 2009 to 30 June 2010.
15. All related party transactions (including number of shares held by Directors at 30 June 2010 and 30 June 2009) and related amounts receivable and payable have been properly recorded and disclosed in the financial statements.

We understand that your examination was made in accordance with Australian Auditing Standards and was, therefore, designed primarily for the purpose of expressing an opinion on the Company's financial statements and that your tests of the financial records and other auditing procedures were limited to those which you considered necessary for that purpose.

For and on behalf of the Board

  
**Bruce Sydney Rowley**  
**Director**



**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF CHITTERING FINANCIAL  
SERVICES LIMITED**

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

**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 Chittering Financial Services Limited, for the year ended 30 June 2010.

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

*Audit approach*

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

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

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

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

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

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

***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 Chittering 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 2010 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: 10 September 2010

Bullsbrook Bindoon Ellenbrook **Community Bank**<sup>®</sup> Branch  
1/13 Binda Place Bindoon WA 6502  
Phone: 9576 0333 Fax: 9576 0400  
2355 Gt Northern Hwy Bullsbrook WA 6804  
Phone: 9571 2355 Fax: 9571 3925  
35E Main Street Ellenbrook WA 6069  
Phone: 6296 6319

Franchisee: Chittering Financial Services Limited.  
185 Powderbark Rd. WA 6084  
Phone: 9571 0002 Fax: 9571 0003  
ABN 77 096 017 506

[www.bendigobank.com.au](http://www.bendigobank.com.au), Bendigo and Adelaide Bank Limited, The Bendigo Centre,  
Bendigo, VIC, 3550 ABN 11 068 049 178, AFSL 237879, (PSWAR7001) (09/07)