Chittering Financial Services Ltd

ABN 77 096 017 506

Financial Report for the year ended 30 June 2012

C O N T E N T S

CHAIRMAN REPORT FOR AGM 2012

Dear Shareholders,

2012 has been a year of quiet consolidation for Chittering Financial Services.

Financial markets continue to recuperate from the global financial crisis with the property market still significantly affected. There is a great deal of caution displayed and opportunities for business growth remain fiercely competitive.

It has been necessary to restructure and reposition ourselves to accommodate this and we are optimistic that new advertising strategies developed will assist us to slowly but surely recover. Our strategy is clear – consistencies in customer service and continued focus on all their financial needs. Our challenge is to rise above our clients expectations and ensure we remain competitive, provide excellent service and work hard at building solid partnerships with all our clients.

FINANCIAL POSITION:

Despite challenges across financial markets Chittering Financial Services has continued momentum from the 2011 financial year. The Profit of the company for the financial year after provision for income tax was $46,168 (2011 : $28,574).

The net assets of the company have increased by $33,700 from June 30, 2011 to $298,521 in 2012. The increase is largely due to improved operating performance of the company.

The world financial markets still show considerable volatility and may impact on investment earnings in the 2012/2013 financial year. The company will continue to maintain a conservative investment strategy to manage the exposure to market volatility.

COMMUNITY:

Bindoon Community Bank® celebrated its 10th Birthday on July 5. Chittering Financial Services have actively supported the community of Bindoon with grants, sponsorships, and donations to a variety of community groups and initiatives, including the supply of 2 defibrillator units within the local township, student diaries at Bindoon Primary School and new football jumpers to the local junior football club.

Community Banking is all about Communities, and we have three to look after, we have continued with all possible means of support including:

- Continuation of monthly financial support to the Salvation Army
- Continuation of School Scholarships to Swan Anglican School
- Defibrillator to the Bullsbrook Medical Practice
- Cash prize for the early payment of Chittering Shire rates
- Sponsorships continue and this years beneficiaries include the Northern Valley Outreach Program, The Bullsbrook Bowling Club, Swan Athletic Football Club, Chequers Golf Club, Valley Bowls.

Throughout the year meetings have been held with the City of Swan and Shire of Chittering to discuss ways in which our Community Bank® and local government can assist each other in worthwhile projects. By joining forces we have the potential to achieve great things for our communities. This will be the catalyst for future major projects which our Community Banks® can actively participate in.

BOARD & CORPORATE GOVERNANCE:
The composition, diversity and skill set of the Board is imperative to the company's continued growth and success. With the resignations of Board members, Mr Max Haynes, Company Director since 2011, Mr Ian Smith Treasurer and Company Director since 2003 and the imminent resignation of Mrs Delma Jean (Dj) Baum, Director since 2001 later in November this year, we lose three valued Directors. (Dj has offered to remain as company secretary).
I would like to take this opportunity to thank them all but especially Ian and DJ for their long term commitment and contribution to Chittering Financial Services. I wish them well in their future endeavours.

At the same time I am pleased to welcome four new Board members – Director/Treasurer Mr Sam Galati, and Directors Mr Robert Smillie, Mr Trevor Hancock and Mr John Williams. As Chair, I am excited about the new source of experience that is available to draw upon and I am confident the Company's future is in sound hands. As Shareholders you can be assured of an experienced cross section of capable, competent Directors.
Your Board of Directors for Chittering Financial Services are:

CHAIR	**Mrs Gemma Bonomi**
COMPANY SECRETARY	**Mrs Dj Baum**
TREASURER	**Mr Sam Galati**
DIRECTORS	**Mr Ross Bishop, Mrs Rebecca Cornthwaite, Mr Robert Smillie, Mr Trevor Hancock, Mr John Williams.**

Of course none of the work we do would be possible without the dedication of our staff. Because of their commitment we are transforming into a more dynamic, flexible, open, and innovative banking institution. I am also grateful to our partners in the Bendigo Bank management team for their ongoing support and counsel.

Mrs Gemma Bonomi
Chair
Chittering Financial Services Ltd

Manager's Report

After eight 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, and this has proven to be very difficult for the staff at times, but 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, it 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. The rate of growth has been maintained, despite the more challenging economic conditions and competition with the banking sector.

The Board also deserve 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 had made it all possible.

I see many opportunities ahead and we are well placed to take advantage of these over the next few years.

Thank you to our staff for their very hard work and dedication.

Ray Povey
Business Development Manager

Chittering Financial Services Limited

Financial Statements

as at

30 June 2012

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 2012.

Directors

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

Ross Albert Bishop
Non-Executive Director
Licensee of liquor store
Board member since Nov 2002

Gemma Diane Bonomi
Chairman
Company Director
Board member since Nov 2006

Rebecca Simone Cornthwaite
Non-Executive Director
Self Employed
Board member since April 2011

Robert Keith Smillie
Non-Executive Director
Self Employed
Board member since Aug 2012

Delma Jean Baum
Secretary
Business Proprietor
Board member since Feb 2001

Ian David Smith
Non-Executive Director
Retired Accountant & Company Secretary
Board member since Nov 2003 resigned Sep 2012

Maxwell Edward Haynes
Non-Executive Director
Accountant
Board member since April 2011 resigned May 2012

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

The profit/(loss) of the company for the financial year after provision for income tax was $46,168 (2011:$28,574).

Financial position

The net assets of the company have increased by $33,700 from June 30, 2011 to $298,521 in 2012. The increase is largely due to improved operating performance of the company.

Dividends

Dividends of $12,467 (2.5cents per share) were distributed during the year.

Significant changes in the state of affairs

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

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

Ross Bishop is the owner of Bullsbrook IGA who received $1,160 (2011: $151) for the year ended 30 June 2012.

Gemma Bonomi is the wife of the owner of Bon Electrics who received $3,767 (2011: $0) for the year ended 30 June 2012.

Delma Baum is the owner of Kilo Delta who received 1,170 (2011: $0) for the year ended 30 June 2012.

Rebecca Cornthwaite is the owner of Just Local who has been paid $1,000 for the year ended 30 June 2012

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:

Director	Board Meetings #	Audit Committee Meetings #
Ross Albert Bishop	10(11)	3 (4)
Delma Jean Baum	11(11)	N/A
Gemma Diane Bonomi	10(11)	N/A
Ian David Smith	10(11)	4 (4)
Rebecca Simone Cornthwaite	8(11)	N/A
Maxwell Edward Haynes	7(9)	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.

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 1966. She is 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.

Non audit services

The directors in accordance with advice from the audit committee, are satisfied that the provision of non audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed in Note 5 did not compromise the external auditor's independence for the following reasons:

- all non audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect integrity and objectivity of the auditor; and

- the nature of the services provided does not compromise the general principles relating to auditor independence in accordance with APES 110 "Code of Ethics for Professional Accountants" set by the Accounting Professional and Ethical Standards Board.

Auditor independence declaration

The auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 5 of this financial report.

Signed in accordance with a resolution of the Board of Directors at Bullsbrook on 28 September 2012.

Delma Jean Baum
Secretary

Richmond
Sinnott &
Delahunty

Chartered Accountants

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Bendigo, Victoria
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28 September 2012

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

To the Directors of Chittering 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

W Sinnott.

Warren Sinnott
Partner
Dated at Bendigo, 28 September 2012

Chittering Financial Services Limited
ABN 77 096 017 506
Statement of Comprehensive Income
for the year ended 30 June 2012

	Notes	2012 $	2011 $
Revenue from continuing operations	2	1,456,728	1,335,333
Employee benefits expense	3	- 853,234	- 799,384
Depreciation and amortisation expense	3	- 86,001	- 87,358
Finance costs	3	- 7,738	- 10,392
Other expenses		- 431,099	- 395,370
Operating profit/(loss) before charitable donations & sponsorships		78,656	42,829
Charitable donations and sponsorship		- 1,818	- 1,587
Profit/(Loss) before income tax expense		76,838	41,242
Income tax expense/(benefit)	4	30,670	12,668
Net Profit/(loss) for the year		46,168	28,574
Other comprehensive income		-	-
Total comprehensive income for the year		46,168	28,574
Earnings per share (cents per share)			
- basic for profit/(loss) for the year	22	9.26	5.73
- diluted for profit/(loss) for the year	22	9.26	5.73

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 2012

	Notes	2012 $	2011 $
Assets			
Current Assets			
Cash and cash equivalents	6	228,501	128,839
Receivables	7	141,491	142,963
Total Current Assets		369,992	271,802
Non-Current Assets			
Property, plant and equipment	8	159,628	191,783
Deferred tax asset	4	-	9,035
Intangible assets	9	-	20,831
Total Non-Current Assets		159,628	221,649
Total Assets		529,620	493,451
Liabilities			
Current Liabilities			
Payables	10	74,503	74,902
Income Tax Payable	4	10,964	-
Loans and borrowings	11	33,348	33,348
Provisions	12	75,975	58,581
Total Current Liabilities		194,790	166,831
Non-Current Liabilities			
Loans and borrowings	11	36,309	61,799
Total Non-Current Liabilities		36,309	61,799
Total Liabilities		231,099	228,630
Net Assets		298,521	264,821
Equity			
Issued Capital	13	495,209	495,209
Accumulated losses	14	- 196,688	- 230,388
Total Equity		298,521	264,821

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 2012

	Notes	2012 $	2011 $
Cash Flows From Operating Activities			
Cash receipts in the course of operations		1,599,663	1,443,004
Cash payments in the course of operations		- 1,411,346	- 1,304,681
Interest paid		- 7,738	- 10,392
Interest received		727	618
Income tax paid		- 10,671	-
Net cash flows from/(used in) operating activities	15b	170,635	128,549
Cash Flows From Investing Activities			
Payment for intangible assets		-	- 8,872
Payments for property, plant and equipment		- 33,015	- 32,410
Net cash flows from/(used in) investing activities		- 33,015	- 41,282
Cash Flows From Financing Activities			
Dividends paid		- 12,468	-
Repayment of borrowings		- 25,490	-
Proceeds from borrowings		-	- 22,860
Net cash flows from/(used in) financing activities		- 37,958	- 22,860
Net increase/(decrease) in cash held		99,662	64,407
Cash and cash equivalents at start of year		128,839	64,432
Cash and cash equivalents at end of year	15a	228,501	128,839

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 2012

	Notes	2012 $	2011 $
ISSUED CAPITAL			
Balance at start of year		495,209	495,209
Issue of share capital		-	-
Share issue costs		-	-
Balance at end of year		495,209	495,209
ACCUMULATED LOSSES			
Balance at start of year		- 230,388	- 258,962
Net Profit/(loss) for the year		46,168	28,574
Dividends paid	21	- 12,468	-
Balance at end of year		- 196,688	- 230,388

The accompanying notes form part of these financial statements

1. Summary of significant accounting policies

(a) Basis of preparation

Chittering 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 28 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.

1. Summary of significant accounting policies (continued)

(c) Property, plant and equipment

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

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

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

Class of Asset	*Depreciation Rate*
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.

(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.

1. Summary of significant accounting policies (continued)

(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. The current amortisation changes for intangible assets are included under depreciation and amortisation expense per the Statement of Comprehensive Income.

(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.

(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.

1. Summary of significant accounting policies (continued)

(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) 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 company 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

When required by Accounting Standards comparative figures have been adjusted to conform to 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:

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.

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

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.

2. Revenue	**2012**	**2011**
	$	**$**
Revenue from continuing activities		
- services commissions	1,456,001	1,334,715
	1,456,001	1,334,715

Other revenue		
- interest received	727	618
	727	618
	1,456,728	1,335,333

3. Expenses

Employee benefits expense		
- wages and salaries	748,379	686,524
- superannuation costs	64,494	59,963
- other costs	40,361	52,897
	853,234	799,384
Depreciation of non-current assets:		
- plant and equipment	65,170	57,371
Amortisation of non-current assets:		
- intangible assets	20,831	29,987
	86,001	87,358
Finance Costs:		
- Interest paid	7,738	10,392
Bad debts	7,209	5,044

4. Income tax expense

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

Prima facie tax on profit/(loss) before income tax at 30%	23,051	12,373
Add tax effect of:		
- Non-deductible expenses	4,946	4,890
- Under/(over) provision of tax in prior year	2,673	- 4,595
Current income tax expense/(benefit)	30,670	12,668
Income tax expense/(benefit)	30,670	12,668

Deferred tax asset
Future income tax benefits arising from tax losses are

recognised at reporting date as realisation of the benefit is regarded as probable.	-	9,035
Current Tax Payable	10,964	-

5. Auditors' remuneration	**2012** **$**	**2011** **$**
Remuneration of the auditor for:		
- Audit or review of the financial report	3,900	3,900
- Preparation and lodgement of taxation return	500	500
	4,400	4,400

6. Cash and cash equivalents

Cash at bank and on hand	228,501	128,839

7. Receivables

Prepayments	297	-
Trade and other debtors	141,194	142,963
	141,491	142,963

8. Property, plant and equipment

Plant and equipment		
At cost	498,823	465,808
Less accumulated depreciation	- 339,195	- 274,025
	159,628	191,783
Total written down amount	159,628	191,783

Movements in carrying amounts

Plant and equipment		
Carrying amount at beginning of year	191,783	216,825
Additions	33,015	32,410
Disposals	-	- 81
Depreciation expense	- 65,170	- 57,371
Carrying amount at end of year	159,628	191,783

9. Intangible assets

Franchise Fee		
At cost	70,000	70,000
Less accumulated amortisation	- 70,000	- 49,169
	-	20,831
Preliminary Expenses		
At cost	11,495	26,932
Less accumulated amortisation	- 11,495	- 26,932
	-	-
Total written down amount	-	20,831

	2012	2011
10. Payables	$	$
Trade creditors	49,977	53,403
GST payable	24,526	21,499
	74,503	74,902

11. Borrowings

Current		
Bank Loan	33,348	33,348
Non-Current		
Bank Loan	36,309	61,799

This is a secured non residential mortgage loan and is on normal commercial terms and conditions. The interest rate attached to the loan at balance date was 8.89%.

12. Provisions

Employee benefits	75,975	58,581
Movement in employee benefits		
Opening balance	58,581	42,280
Additional provisions recognised	54,747	52,810
Amounts utilised during the year	- 39,353	- 36,509
Closing balance	73,975	58,581

13. Share capital

498,709 Ordinary Shares fully paid of $1 each	498,709	498,709
Cost of raising equity	- 3,500	- 3,500
	495,209	495,209

14. Accumulated losses

Balance at the beginning of the financial year	- 230,388	- 258,962
Profit/(loss) after income tax	46,168	28,574
Dividends	- 12,468	-
Balance at the end of the financial year	- 196,688	- 230,388

15. Statement of cash flows

	2012 $	2011 $
(a) *Cash and cash equivalents*		
Cash assets	228,501	128,839
(b) *Reconciliation of profit/(loss) after tax to net cash provided from/(used in) operating activities*		
Profit/(loss) after income tax	46,168	28,574
Non cash items		
- Depreciation	65,170	57,371
- Amortisation	20,831	29,987
- Loss on disposal of fixed assets	-	81
Changes in assets and liabilities		
- (Increase) decrease in receivables	1,472	- 25,636
- (Increase) decrease in deferred income tax asset	9,035	12,668
- Increase (decrease) in income tax payable	10,964	-
- Increase (decrease) in payables	- 399	9,203
- Increase (decrease) in provisions	17,394	16,301
Net cashflows from/(used in) operating activities	170,635	128,549

16. Director and related party disclosures

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

Ross Albert Bishop
Delma Jean Baum
Gemma Diane Bonomi
Ian David Smith
Rebecca Simone Cornthwaite
Maxwell Edward Haynes

Ross Bishop is the owner of Bullsbrook IGA who received $1,160 (2011: $151) for the year ended 30 June 2012.

Gemma Bonomi is the wife of the owner of Bon Electrics who received $3,767 (2011: $0) for the year ended 30 June 2012.

Delma Baum is the owner of Kilo Delta who received 1,170 (2011: $0) for the year ended 30 June 2012.

Rebecca Cornthwaite is the owner of Just Local who has been paid $1,000 for the year ended 30 June 2012.

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.

16. Director and related party disclosures (continued)

Directors shareholdings	2012	2011
Ross Albert Bishop	10,000	10,000
Delma Jean Baum	1,001	1,001
Gemma Diane Bonomi	1,000	1,000
Ian David Smith	2,500	500
Rebecca Simone Cornthwaite	-	-
Maxwell Edward Haynes	5,000	5,000

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

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

18. Contingent liabilities and assets

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

19. Operating segments

The company operates in the financial services sector where it provides banking services to its clients. The company operates in one geographic area being Bullsbrook, Bindoon and Ellenbrook, Western Australia. The company has a franchise agreement in place with Bendigo & Adelaide Bank Limited who account for 100% of the revenue (2011: 100%).

20. Corporate information

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

The registered office is:	unit 2 / 2543 Great Northern Highway Bullsbrook WA 6084
The principal place's of business are:	unit 1 /2543 Great Northern Highway Bullsbrook WA 6084
	13 Binda Place Bindoon WA 6502
	Shop 6, 38 Main Street Ellenbrook WA 6069

21. Dividends paid or provided for on ordinary shares	**2012** **$**	**2011** **$**
Dividends paid during the year		
Unfranked dividends - 2.5 cents per share (2011: 10 cents per share)	12,468	-

The tax rate at which dividends have been franked is 0% (2010: 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:

	2012	2011
Profit/(loss) after income tax expense	46,168	28,574
Weighted average number of ordinary shares for basic and diluted earnings per share	498,709	498,709

23. 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	228,501	128,839
Receivables	7	141,491	142,963
Total Financial Assets		369,992	271,802
Financial Liabilities			
Payables	10	74,503	74,902
Total Financial Liabilities		74,503	74,902

Financial Risk Management Policies

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.

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	228,501	128,839
Receivables	141,491	142,963
	369,992	271,802

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.

(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.

Financial liability and financial asset maturity analysis

30 June 2012	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial Liabilities due for payment				
Payables	- 74,503	- 74,503	-	-
Loans and borrowings	- 69,657	- 33,348	- 36,309	-
Total expected outflows	- 144,160	- 107,851	- 36,309	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	228,501	228,501	-	-
Receivables	141,491	141,491	-	-
Total anticipated inflows	369,992	369,992	-	-
Net (Outflow)/Inflow on financial instruments	225,832	262,141	- 36,309	-

30 June 2011	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial Liabilities due for payment				
Payables	- 74,902	- 74,902	-	-
Loans and borrowings	- 95,147	- 33,348	- 61,799	-
Total expected outflows	- 170,049	- 108,250	- 61,799	-
Financial Assets - cashflow realisable				
Cash & cash equivalents	128,839	128,839	-	-
Receivables	142,963	142,963	-	-
Total anticipated inflows	271,802	271,802	-	-
Net (Outflow)/Inflow on financial instruments	101,753	163,552	- 61,799	-

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.

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	-	-
	-	-
Floating rate instruments		
Financial assets	228,501	128,839
Financial liabilities	- 69,657	- 95,147
	158,844	33,692

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 at both 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.

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.

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

In accordance with a resolution of the directors of Chittering Financial Services Limited, the directors of the company declare that:

1 the financial statements and notes of the company as set out on pages 6 to 24 are in accordance with the Corporations Act 2001 and:

(i) comply with Australian Accounting Standards, which as stated in accounting policy Note 1(a) to the financial statements constitutes compliance with International Financial Reporting Standards (IFRS); and

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

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.

Delma Jean Baum

Signed at Bullsbrook on 28 September 2012.