Chittering Financial Services Limited

ABN 77 096 017 506

2013

Annual Report

Bullsbrook Bindoon Ellenbrook
Community Bank® Branch **Bendigo Bank**

Chittering Financial Services Ltd

ABN 77 096 017 506

Financial Report for the year ended 30 June 2013

C O N T E N T S

Chairman’s report 2013

Dear Shareholder,

When I wrote to shareholders in May advising of the financial difficulty Chittering Financial Services Limited was experiencing, I advised that the Board was re-examining the operating structure of the company.

The Board has implemented a five-year Strategic Plan and has established clear and measurable goals focussed on delivering profitable outcomes for Chittering Financial Services Limited.

The Board will continue to closely monitor expenses and make adjustments to minimise excess. Branch structures and staffing continues to be monitored.
Focus on individual branch performances is key to the strategic plan, ensuring accountability of all branch’s meeting their expected performance targets.

The ultimate objective of the strategic plan is to:
- Consistently pay shareholder dividends.
- Increase our community sponsorship commitments.
- Return shareholder equity.
- Meet our franchise commitments to Bendigo and Adelaide Bank.

As the banking industry has evolved so has the need for cross selling the banks product offerings. The current financial services market remains fierce and providing a full suite of financial products and services is imperative to the Bendigo and Adelaide Bank model remaining competitive within industry.

If you are a shareholder but not banking with us, why not?

By banking with your local **Community Bank®** branch, you are helping to make the difference. National studies carried out have shown that although most people understand and support the **Community Bank®** model, they are not banking with us.

Whilst the 2013 financial year was disappointing, Chittering Financial Services Limited managed to increase the amount of contributions paid to the community, demonstrating our commitment to upholding the ethos of the **Community Bank®** model.

The “U Like” campaign reached in excess of 3,300 people from Bindoon to Ellenbrook. Chittering Financial Services Limited donated a total prize pool of $14,000 for the “U Like” campaign. The winners received cash prizes that were divided up as follows:

Bullsbrook/Bindoon region:
- $5,000 First prize to Bullsbrook Kindergarten for the purchase of outdoor play equipment.
- $1,500 Second prize to Bindoon Men’s Shed, a contribution towards the purchase of a tools trailer. The Men’s Shed team gave the Kindergarten a run for its money during voting and only lost by 260 votes in the final days.

- $500 Bullsbrook District High School so that classrooms could be upgraded with interactive white boards.

Ellenbrook region:

- $5,000 First prize to Ellenbrook Radio 88 a Community radio hitting the airwaves. Radio 88 will be using the prize to upgrade some of their equipment.
- $1,500 Second prize to Ellenbrook Lions Club for a defibrillator machine.
- $500 Third prize to Alfa 1, a support organisation for youth suicide prevention. The suicide rates among our Ellenbrook youth is alarming.

Chittering Financial Services Limited continued to support Bindoon Primary School and St Helena's Primary School in Ellenbrook. The Bullsbrook Medical Centre received a defibrillator, totalling four defibrillators that Chittering Financial Services Limited has donated to our communities. Chittering Financial Services Limited contributed to a charity walk for SIDS for KIDS when one of our staff members tragically lost a child to SIDS. Other contributions included support to Salvation Army, Swan Valley Bowls, Bullsbrook Bowls, Bindoon & Districts Agricultural Society Inc., Bindoon Seniors, Wongan Hills Swim Club, the Rates payers prize at Chittering Shire, Ellenbrook Community Youth Performance Group; not to mention the continuation of the donation of footballs and netballs to our local sporting clubs. Contributions for the past financial year totalled in excess of $23,000.

Resignations from Chittering Financial Services Limited included our Company Secretary DJ Baum in September and Director Bec Cornthwaite who will not be renominating. DJ has retired to Yanchep, DJ's long term knowledge and contribution will be greatly missed. Bec's expertise in marketing will also be missed.

The Board are always looking for quality Directors with a range of business skills such as legal, marketing, accounting and finance backgrounds.

If you are interested please contact any current Board Director for further information.

This is my final Chairman's report as I will be resigning at the Annual General Meeting. After seven years service to the Board I am retiring to focus on business ventures of my own. My role has not been without its challenges however I have had the opportunity to meet and learn from some very accomplished individuals. I remain a Chittering Financial Services Limited shareholder and a customer, and I will continue to take a keen interest in Chittering Financial Services Limited's future success. I would like to thank the current Board of Directors and wish them well in achieving the goals set in our strategic plan.

G. Bonomi

Mrs Gemma Bonomi
Chairman
Chittering Financial Services Ltd.

Chittering Financial Services Limited

Financial Statements

as at

30 June 2013

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 2013.

Directors

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

Name and position held	Qualifications	Experience and Other Directorships
Rebecca Simone Cornthwaite Director since 2011 Director		Self-employed
Delma Jean Baum Director since 2001 Secretary (Resigned November 2012)		Director / owner of Kilo Delta Pty Ltd since 1978
Ross Albert Bishop Director since 2002 Director		Business Owner
Ian David Smith Director since 2003 Director (Resigned September 2012)		Retired Accountant and Company Secretary
Gemma Diane Bonomi Director since 2006 Chairperson		Retired Company Director
Robert Keith Smillie Director since 2012 Director (Appointed August 2012)	Holds qualifications in Local Government and Business Administration.	Former Local Government CEO and currently Senior Associate with national consultancy ACIL Tasman.
John Williams Director since 2012 Director (Appointed November 2012)		Retired Accountant
Trevor Hancock Director since 2012 Director (Appointed November 2012)		
Sebastiano Galati Director since 2012 Director/Treasurer (Appointed November 2012)	Bach Commerce CPA	

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 a franchised branch of Bendigo and Adelaide Bank Limited.

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

Review of operations

The profit/(loss) of the company for the financial year after provision for income tax was a loss of $85,847 (2012 profit: $46,168).

The net assets of the company have decreased to $200,207 (2012: $298,521).

Dividends

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

Significant changes in the state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

Events subsequent to reporting date

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

Remuneration report

Remuneration policy

In 2011 the shareholders approved a maximum total payment to the Directors (sum of all Directors) of $30,000 per year.

Remuneration benefits and payments

Other than detailed below, no 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.

Ross Bishop is the owner of Bullsbrook IGA who received $383 (2012: $1,160) for the year ended 30 June 2013.

Gemma Bonomi is the wife of the owner of Bon Electrics who received $452 (2012: $3,767) for the year ended 30 June 2013.

Delma Baum is the owner of Kilo Delta who received $1,884 (2012: $1,170) for the year ended 30 June 2013.

Rebecca Cornthwaite is the owner of Just Local who received $660 (2012: $1,000) for the year ended 30 June 2013.

Sam Galati is the owner of Pilbara Accounting Services who received $1,650 (2012: nil) for the year ended 30 June 2013

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 held during the year were 11. Attendances by each director during the year were as follows:

Director	Board Meetings #	Audit Committee Meetings #
Rebecca Simone Cornthwaite	9 (11)	N/A
Delma Jean Baum	4 (4)	N/A
Ross Albert Bishop	10 (11)	N/A
Ian David Smith	2 (2)	N/A
Gemma Diane Bonomi	11 (11)	N/A
Robert Keith Smillie	10 (10)	N/A
John Williams	8 (8)	0 (0)
Trevor Hancock	5 (8)	N/A
Sebastiano Galati	7 (8)	0 (0)

 # 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.

Likely developments

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

Environmental regulations

The company is not subject to any significant environmental regulation. However, the board believes that the company has adequate systems in place for the management of its environment requirements and is not aware of any breach of these environmental requirements as they apply to the company.

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.

Company secretary

Delma Jean Baum has been the Company Secretary of Chittering Financial Services Limited since 2001. Delma's 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.

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 the 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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set at page 5 of this financial report. No officer of the company is or has been a partner of the auditor of the company.

Signed in accordance with a resolution of the Board of directors at Bullsbrook on
8 October 2013.

Delma Jean Baum
Secretary

Richmond Sinnott & Delahunty
Chartered Accountants

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

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Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Chittering Financial Services Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2013 there has been no contraventions of:

(i) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RICHMOND SINNOTT & DELAHUNTY
Chartered Accountants

Warren Sinnott
Partner
Bendigo
Dated at Bendigo, 8 October 2013

Chittering Financial Services Limited
ABN 77 096 017 506
Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2013

	Notes	2013 $	2012 $
Revenue	2	1,393,981	1,456,728
Employee benefits expense	3	(953,684)	(853,234)
Depreciation and amortisation expense	3	(91,002)	(86,001)
Finance costs	3	(10,532)	(7,738)
Bad and doubtful debts expense	3	(19,605)	(7,209)
Rental expense		(93,808)	(99,298)
Other expenses		(297,555)	(324,592)
Operating profit/(loss) before charitable donations & sponsorships		(72,205)	78,656
Charitable donations and sponsorships		(27,975)	(1,818)
Profit/(loss) before income tax expense		(100,180)	76,838
Tax expense / (benefit)	4	(14,333)	30,670
Profit/(loss) for the year		(85,847)	46,168
Other comprehensive income		-	-
Total comprehensive income		(85,847)	46,168
Profit/(loss) attributable to:			
Members of the company		(85,847)	46,168
Total		(85,847)	46,168
Earnings per share (cents per share)			
- basic for profit / (loss) for the year	21	(17.21)	9.26
- diluted for profit / (loss) for the year	21	(17.21)	9.26

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 2013

	Notes	2013 $	2012 $
Assets			
Current Assets			
Cash and cash equivalents	6	177,949	240,001
Trade and other receivables	7	120,726	129,991
Total Current Assets		298,675	369,992
Non-Current Assets			
Property, plant and equipment	8	105,187	159,628
Deferred tax asset	4	14,333	-
Intangible assets	9	86,149	-
Total Non-Current Assets		205,669	159,628
Total Assets		504,344	529,620
Liabilities			
Current Liabilities			
Trade and other payables	10	149,700	74,503
Income tax payable	4	4,677	10,964
Borrowings	11	33,348	33,348
Provisions	12	108,558	75,975
Total Current Liabilities		296,283	194,790
Non Current Liabilities			
Borrowings	11	7,854	36,309
Total Non Current Liabilities		7,854	36,309
Total Liabilities		304,137	231,099
Net Assets / (Liabilities)		200,207	298,521
Equity			
Issued capital	13	495,209	495,209
Retained earnings / (accumulated losses)	14	(295,002)	(196,688)
Total Equity		200,207	298,521

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 2013

	Note	Issued Capital $	Accumulated Losses $	Total Equity $
Balance at 1 July 2011		495,209	(230,388)	264,821
Total comprehensive income for the year		-	46,168	46,168
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(12,468)	(12,468)
Balance at 30 June 2012		**495,209**	**(196,688)**	**298,521**
Balance at 1 July 2012		495,209	(196,688)	298,521
Total comprehensive income for the year		-	(85,847)	(85,847)
Transactions with owners, in their capacity as owners				
Dividends paid or provided	22	-	(12,467)	(12,467)
Balance at 30 June 2013		**495,209**	**(295,002)**	**200,207**

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 2013

	Notes	2013 $	2012 $
Cash Flows From Operating Activities			
Receipts from clients		1,542,275	1,611,163
Payments to suppliers and employees		(1,424,122)	(1,411,346)
Income tax paid		(6,287)	(10,671)
Interest paid		(10,532)	(7,738)
Interest received		246	727
Net cash flows from/(used in) operating activities	15b	101,580	182,135
Cash Flows From Investing Activities			
Purchase of property, plant & equipment		(5,024)	(33,015)
Purchase of intagible assets		(117,686)	-
Net cash flows from/(used in) investing activities		(122,710)	(33,015)
Cash Flows From Financing Activities			
Dividends paid		(12,467)	(12,468)
Repayment of borrowings		(28,455)	(25,490)
Net cash flows from/(used in) financing activities		(40,922)	(37,958)
Net increase/(decrease) in cash held		(62,052)	111,162
Cash and cash equivalents at start of year		240,001	128,839
Cash and cash equivalents at end of year	15a	177,949	240,001

The accompanying notes form part of these financial statements

The financial statements and notes represent those of Chittering Financial Services Limited.

Chittering Financial Services Limited ('the company') is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the Directors on 8 October 2013.

1. Summary of significant accounting policies

(a) Basis of preparation

The financial statements are general purpose financial statements, that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board 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 Australian Accounting Standards Board 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 (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

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

(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 Australian Taxation Office (ATO). 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 inclusive of the amount of GST receivable or payable.

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

The GST components of investing and financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(f) Employee benefits

Provision is made for the company's liability for employee benefits arising from the services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to the employee benefits.

(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 charges for intangible assets are included under depreciation and amortisation expense per the Statement of Profit or Loss and Other Comprehensive Income.

(h) Cash

Cash on hand and in banks are stated at nominal value. Bank overdrafts are shown as short term borrowings in current liabilities in the statement of financial position.

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

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Revenue comprises service commissions and other income received by the company.

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

1. Summary of significant accounting policies (continued)

(j) Receivables and payables

Receivables and payables are non interest bearing and generally have payment terms of between 30 and 90 days. Receivables expected to be collected within 12 months at the end of the reporting period are classified as current assets. 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 and are recognised as a current liability.

(k) New accounting standards and interpretations not yet adopted

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to the company.

The company has decided not to early adopt any of the new and amended pronouncements. The company's assessment of the new and amended pronouncements that are relevant to the company but applicable in the future reporting periods is set below:

(i) AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

AASB 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. AASB 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting.

AASB 9 (2010 and 2009) are effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The adoption of AASB 9 (2010) is not expected to have an impact on the company's financial assets or financial liabilities.

(ii) AASB 13 Fair Value Measurement (2011)

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The company is currently reviewing its methodologies in determining fair values. AASB 13 is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

(iii) AASB 119 Employee Benefits (2011)

AASB 119 (2011) changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. For defined benefit plans, removal of the accounting policy choice for recognition of actuarial gains and losses is not expected to have any impact on the company. However, the company may need to assess the impact of the change in measurement principles of expected return on plan assets. AASB 119 (2011) is effective for annual periods beginning on or after 1 January 2013 with early adoption permitted.

1. Summary of significant accounting policies (continued)

(l) Loans and borrowings

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

(m) Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which is probable that the outflow of economic benefits will result and the outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

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.

Income tax

The company is subject to income tax. Significant judgement is required in determining the deferred tax asset or the provision for income tax liability. Deferred tax assets are recognised only when it is considered sufficient future profits will be generated. The assumptions made regarding future profits is based on the company's assessment of future cash flows.

1. Summary of significant accounting policies (continued)

(p) Critical accounting estimates and judgements (continued)

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.

Fair value represents the amount for which an asset would be exchanged or a liability settled, between knowledgeable willing parties. Where available quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are applied to determine the fair value.
Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less 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. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities
Non derivative financial liabilities are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

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 to be 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 debtor is experiencing significant financial difficulty, default or delinquency in payments, indications that they will enter bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

1. Summary of significant accounting policies (continued)

(q) Financial instruments (continued)

Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised when the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

2. Revenue and other income	**2013 $**	**2012 $**
Revenue		
- services commissions	1,357,967	1,429,420
	1,357,967	1,429,420
Other revenue		
- interest received	246	727
- other revenue	35,768	26,581
	36,014	27,308
Total Revenue	1,393,981	1,456,728

3. Expenses

Employee benefits expense		
- wages and salaries	796,915	748,379
- superannuation costs	65,871	64,494
- other costs	90,898	40,361
	953,684	853,234
Depreciation of non-current assets:		
- plant and equipment	30,837	36,961
- leasehold improvements	28,628	28,209
Amortisation of non-current assets:		
- intangible assets	31,537	20,831
	91,002	86,001
Finance Costs:		
- Interest paid	10,532	7,738
Bad debts	19,605	7,209

Chittering Financial Services Limited
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For the year ended 30 June 2013

	2013	2012
4. Tax Expense	**$**	**$**
The prima facie tax on profit/(loss) from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Prima facie tax on profit/(loss) before income tax at 30% (2012: 30%)	(30,054)	23,051
Add tax effect of:		
- Underprovision of income tax of previous year	54	2,673
- Utilisation of previously unrecognised carried forward tax losses	-	-
- Non-deductible expenses	15,667	4,946
Current income tax expense	(14,333)	30,670
Income tax attributable to the entity	(14,333)	30,670
The applicable weighted average effective tax rate is	0%	40%
Current Tax Payable	-	10,964
Prior year tax payable	4,677	-
Total Tax Payable	4,677	10,964
Deferred Tax Asset	14,333	-

The applicable income tax rate is the Australian Federal tax rate of 30% (2012: 30%) applicable to Australian resident companies.

5. Auditors' remuneration

Remuneration of the auditor for:

	2013	2012
- Audit or review of the financial report	4,150	3,900
- Taxation services	500	500
	4,650	4,400

6. Cash and cash equivalents

	2013	2012
Cash at bank and on hand	177,949	240,001

7. Trade and other receivables

	2013 $	2012 $
Current		
Trade debtors	120,726	129,694
Other assets	-	297
	120,726	129,991

Credit risk

The company has no significant concentration of credit risk with respect to any single counterparty or gorup of counterparties.

The following table details the company's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as "past due" when the debt has not been settled within the terms and conditions agreed between the company and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the company.

The balances of receivables that remain within initial trade terms (as detailed in the table below) are considered to be high credit quality.

			Past Due but Not Impaired			
2013	**Gross Amount $**	**Past Due and impaired $**	**< 30 days $**	**31-60 days $**	**> 60 days $**	**Not Past Due $**
Trade receivables	120,726	-	-	-	-	120,726
Total	120,726	-	-	-	-	120,726
2012						
Trade receivables	129,694	-	-	-	-	129,694
Total	129,694	-	-	-	-	129,694

8. Property, plant and equipment

	2013 $	2012 $
Plant and equipment		
At cost	283,811	283,811
Less accumulated depreciation	(222,216)	(191,379)
	61,595	92,432
Leasehold improvements		
At cost	193,747	188,723
Less accumulated depreciation	(150,155)	(121,527)
	43,592	67,196
	105,187	159,628

8. Property, plant and equipment (continued)	**2013**	**2012**
	$	**$**
Movements in carrying amounts		
Plant and equipment		
Balance at the beginning of the reporting period	92,432	96,378
Additions	-	33,015
Disposals	-	-
Depreciation expense	(30,837)	(36,961)
Balance at the end of the reporting period	61,595	92,432
Leasehold improvements		
Balance at the beginning of the reporting period	67,196	95,405
Additions	5,024	-
Disposals	-	-
Depreciation expense	(28,628)	(28,209)
Balance at the end of the reporting period	43,592	67,196

9. Intangible assets

Franchise Fee		
At cost	177,686	70,000
Less accumulated amortisation	(91,537)	(70,000)
	86,149	-
Preliminary expenses		
At cost	21,495	11,495
Less accumulated amortisation	(21,495)	(11,495)
	-	-
Total Intangible assets	86,149	-

Movements in carrying amounts

Franchise Fee		
Balance at the beginning of the reporting period	-	20,831
Additions	107,686	-
Disposals	-	-
Amortisation expense	(21,537)	(20,831)
Balance at the end of the reporting period	86,149	-
Preliminary expenses		
Balance at the beginning of the reporting period	-	11,495
Additions	10,000	-
Disposals	-	-
Amortisation expense	(10,000)	(11,495)
Balance at the end of the reporting period	-	-

10. Trade and other payables

Current		
Unsecured liabilities:		
Trade creditors	142,326	49,977
GST Payable	7,374	24,526
	149,700	74,503

11. Borrowings

	2013 $	2012 $
Current		
Bank Loan	33,348	33,348
Non-Current		
Bank Loan	7,854	36,309

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

	2013 $	2012 $
Employee benefits	108,558	75,975
Movement in employee benefits		
Opening balance	75,975	58,581
Additional provisions recognised	61,301	54,747
Amounts utilised during the year	(28,718)	(37,353)
Closing balance	108,558	75,975
Current		
Annual Leave	57,195	49,463
	57,195	49,463
Long-service leave	51,363	26,512
	51,363	26,512
Total provisions	108,558	75,975

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the company does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the company does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

13. Share capital

	2013 $	2012 $
498,709 Ordinary Shares fully paid of $1 each	498,709	498,709
Less: Equity raising costs	(3,500)	(3,500)
	495,209	495,209

13. Share capital (continued)

Movements in share capital	**2013** **$**	**2012** **$**
Fully paid ordinary shares:		
At the beginning of the reporting period	498,709	498,709
Shares issued during the year	-	-
At the end of the reporting period	498,709	498,709

Ordinary shares participate in dividends and the proceeds on winding up of the company in proportion to the number of shares held. At the shareholders' meetings each shareholder is entitled to one vote when a poll is called, or on a show of hands.
The company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. All shares rank equally with regard to the company's residual assets.

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 2013 can be seen in the Statement of Profit or Loss and Comprehensive Income.

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

14. Retained earnings / (accumulated losses)

Balance at the beginning of the reporting period	(196,688)	(230,388)
Profit/(loss) after income tax	(85,847)	46,168
Dividends	(12,467)	(12,468)
Balance at the end of the reporting period	(295,002)	(196,688)

15. Statement of cash flows

(a) *Cash and cash equivalents balances as shown in the statement of financial position can be reconciled to that shown in the statement of cash flows as follows*

	2013 $	2012 $
As per the statement of financial position	177,949	240,001
less Bank overdraft	-	-
As per the statement of cash flow	177,949	240,001

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

	2013 $	2012 $
Profit / (loss) after income tax	(85,847)	46,168
Non cash items		
- Depreciation	59,465	65,170
- Amortisation	31,537	20,831
Changes in assets and liabilities		
- (Increase) decrease in receivables	9,265	12,972
- (Increase) decrease in deferred tax asset asset	(14,333)	-
- (Increase) decrease in deferred income tax payable	-	9,035
- Increase (decrease) in income tax payable	(6,287)	10,964
- Increase (decrease) in payables	75,197	(399)
- Increase (decrease) in provisions	32,583	17,394
Net cash flows from/(used in) operating activities	101,580	182,135

16. Related party transactions

The company's main related parties are as follows:

(a) Key management personnel
Any person(s) having authority or responsibility for planning, directing or controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of that company is considered key management personnel.

(b) Other related parties
Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel, individually or collectively with their close family members.

(c) Transactions with key management personnel and related parties
Other than detailed below, no key management personnel or related party has entered into any contracts with the company. No director fees have been paid as the positions are held on a voluntary basis.

Ross Bishop is the owner of Bullsbrook IGA who received $383 (2012: $1,160) for the year ended 30 June 2013.

Gemma Bonomi is the wife of the owner of Bon Electrics who received $452 (2012: $3,767) for the year ended 30 June 2013.

Delma Baum is the owner of Kilo Delta who received $1,884 (2012: $1,170) for the year ended 30 June 2013.

16. Related party transactions (continued)

Rebecca Cornthwaite is the owner of Just Local who received $660 (2012: $1,000) for the year ended 30 June 2013.

Sam Galati is the owner of Pilbara Accounting Services who received $1,650 (2012: nil) for the year ended 30 June 2013.

(d) Key management personnel shareholdings
The number of ordinary shares in Chittering Financial Services Limited held by each key management personnel of the company during the financial year is as follows:

	2013	2012
Rebecca Simone Cornthwaite	-	-
Delma Jean Baum	1,001	1,001
Ross Albert Bishop	10,000	10,000
Ian David Smith	2,500	2,500
Gemma Diane Bonomi	1,000	1,000
Robert Keith Smillie	-	-
John Williams	-	-
Trevor Hancock	-	-
Sebastiano Galati	-	-

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

(e) Other key management transactions
There has been no other transactions involving equity instruments other than those described above.

17. Events after the reporting period

There have been no 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 (2012: 100%).

20. Company details

The registered office is:	59 Anglesea Cres. Belhus WA 6069
The principal places 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. Earnings per share

	2013 $	2012 $
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	(85,847)	46,168
Weighted average number of ordinary shares for basic and diluted earnings per share	498,709	498,709

22. Dividends paid or provided for on ordinary shares

Dividends paid during the year		
Unfranked dividends - 2.5 cents per share (2012: 2.5 cents per share)	12,467	12,468

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 as detailed in the accounting policies are as follows:

	Note	2013 $	2012 $
Financial Assets			
Cash & cash equivalents	6	177,949	240,001
Trade and other receivables	7	120,726	129,991
Total Financial Assets		298,675	369,992
Financial Liabilities			
Trade and other payables	10	149,700	74,503
Bank loan	11	33,348	69,657
Total Financial Liabilities		183,048	144,160

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.

Credit risk is managed through maintaining procedures that ensure, to the extent possible, that clients and counterparties to transactions are of sound credit worthiness and their financial stability is monitored and assessed on a regular basis. Such monitoring is used in assessing receivables for impairment. Credit terms for normal fee income are generally 30 days from the date of invoice. For fees with longer settlements, terms are specified in the individual client contracts. In the case of loans advanced, the terms are specific to each loan.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets as presented in the statement of financial position.

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 (2012: 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 and therefore credit risk is considered minimal.

(a) Credit Risk (continued)

	2013 $	2012 $
Cash and cash equivalents:		
A rated	177,949	240,001

(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 2013	**Note**	**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial Liabilities due					
Trade and other payables	**10**	149,700	149,700	-	-
Loans and borrowings	**11**	41,202	33,348	7,854	-
Total expected outflows		190,902	183,048	7,854	-
Financial Assets - realisable					
Cash & cash equivalents	**6**	177,949	177,949	-	-
Trade and other receivables	**7**	120,726	120,726	-	-
Total anticipated inflows		298,675	298,675	-	-
Net (Outflow)/Inflow on financial instruments		107,773	115,627	(7,854)	-

30 June 2012		**Total $**	**Within 1 year $**	**1 to 5 years $**	**Over 5 years $**
Financial Liabilities due					
Trade and other payables	**10**	74,503	74,503	-	-
Loans and borrowings	**11**	69,657	33,348	36,309	-
Total expected outflows		144,160	107,851	36,309	-
Financial Assets - realisable					
Cash & cash equivalents	**6**	240,001	240,001	-	-
Trade and other receivables	**7**	129,991	129,991	-	-
Total anticipated inflows		369,992	369,992	-	-
Net (Outflow)/Inflow on financial instruments		225,832	262,141	(36,309)	-

(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 the risk 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.

The weighted average interest rates of the company's interest-bearing financial assets are as follows:

Financial assets	**2013** **$**	**2012** **$**
Cash and cash equivalents (net of bank overdrafts)	0.24%	0.25%

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit **$**	**Equity** **$**
Year ended 30 June 2013		
+/- 1% in interest rates (interest income)	1,367	1,367
	1,367	1,367
Year ended 30 June 2012		
+/- 1% in interest rates (interest income)	1,703	1,703
	1,703	1,703

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.

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 x to xx 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 2013 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.

This resolution is made in accordance with a resolution of the Board of Directors.

Delma Jean Baum
Secretary

Signed at Bullsbrook on 8 October 2013.

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2543 Gt Northern Hwy Bullsbrook WA 6804
Phone: 9571 2355 Fax: 9571 3925
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