AWA Credit Union Ltd

Australia Wide Alumina & Aluminium

A different kind of banking

ABN 31 087 651 652

Incorporated in Australia

2014 ANNUAL FINANCIAL REPORT

Registered Office:

POINT HENRY ROAD
GEELONG VIC 3220
(03) 52 451739

CHAIRMAN'S REPORT

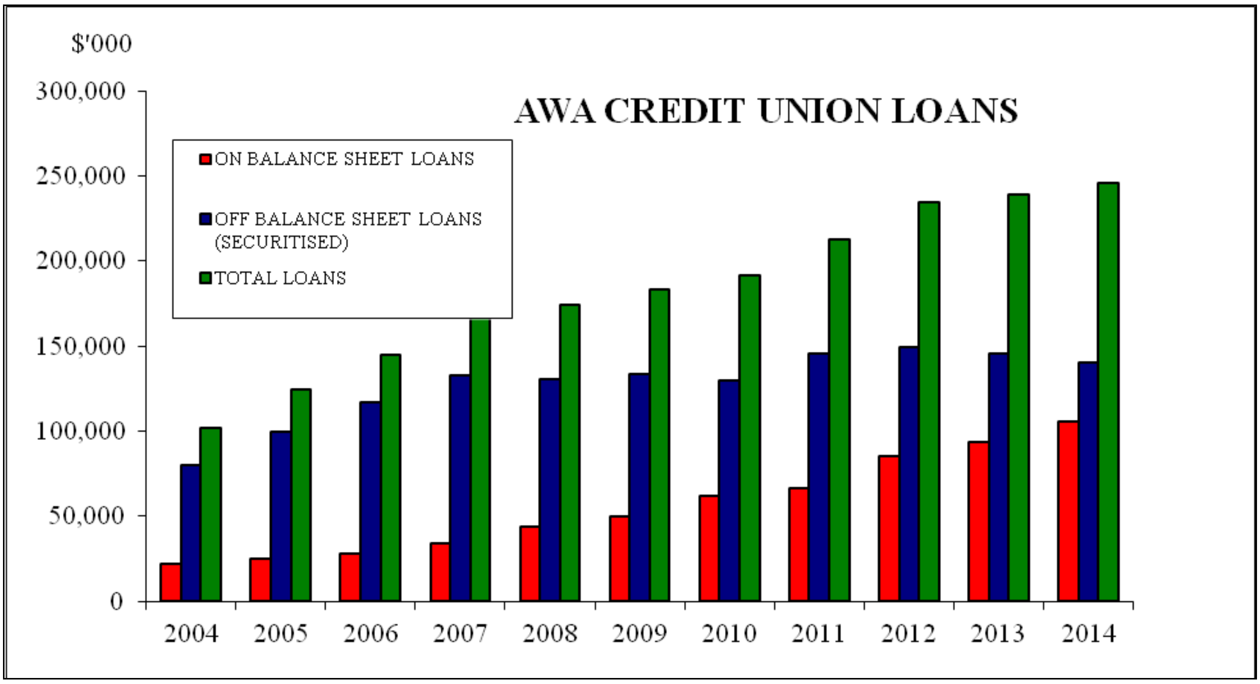
Our 45th year of operation has passed and once again it pleases me to present to you AWA's Annual Report.

Despite some of the most challenging business conditions ever experienced by the financial services industry, AWACU remains focused on:

- providing members with services which rival those of our competitors
- upholding business practises which ensure our long term viability
- fulfilling our social obligations to the communities in which we operate

<u>Financial</u>
Low interest rates continue to provide borrowers with attractive mortgage rates in an environment of incredibly high competition between mortgage providers. Despite the increased competition it is pleasing to acknowledge the trust and confidence demonstrated by our members in enabling us to continue to grow our market share.

Further reassurance from members is evident in our deposit growth which provides us with increased opportunity to fund our loan demand from existing deposits rather than through the industry owned securitization vehicle or the loan sale program with Bendigo and Adelaide Bank.



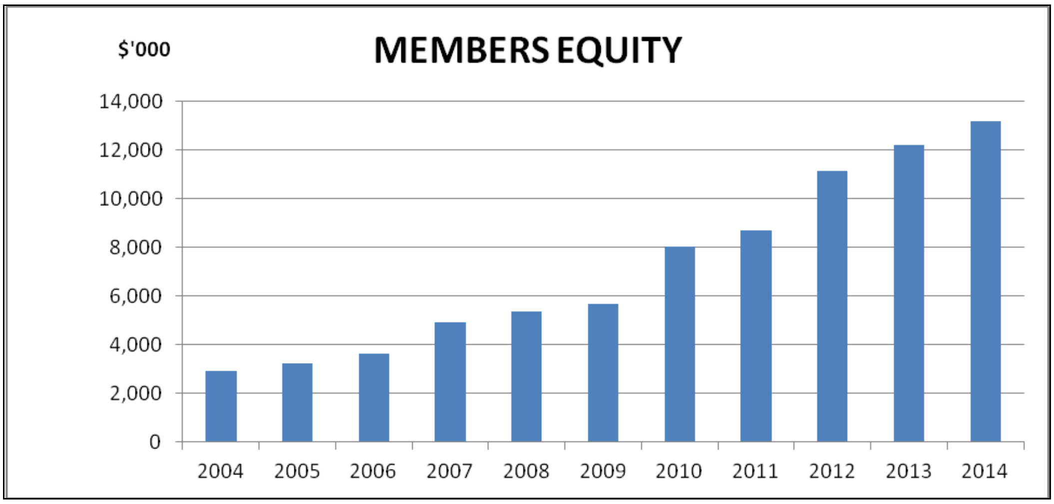
During 2013/14 AWA settled $46.7m of loans which resulted in strong growth in the on-balance sheet loans portfolio from $93.8m to $105.6m at the end of the financial year. When combined with the off-balance sheet loans portfolio of $140.5 m, this equates to total loans under management as at 30 June 2014 of

$246.1 million. Early indications of the year ahead suggest we are capable of sustaining this growth.

To support this strong growth in on-balance sheet lending AWA's funding (Deposits from members, Deposits from other institutions and Short term borrowings) grew from $106m to $116.6m during the year.

Whilst we experienced a record profit of $1,067,961 in 2012/13, this year's result of $951,100 is still considered an excellent result, especially after considering the pressure on interest margins experienced by all financial institutions during the latter part of the financial year.

Profits like this lead to continuous growth in Capital (Members' Equity), thereby demonstrating the ongoing strength of your Credit Union.



<u>Milestones</u>
At the 2014 Annual General Meeting Richard Lyle achieves 10 years as a Director of AWA Credit Union. We congratulate Richard on this achievement and thank him for his valuable contribution.

<u>Staffing</u>
We farewelled Wendy Taylor from our Mandurah WA Office in February this year and Billy Fox from our Portland office in November last year and wish them well in their new roles.

We are thrilled to welcome back Sue Trezise, re-joining the AWA team after a 2 year "temporary retirement". It is great to have Sue back.

We also welcomed Michelle Clark in June this year to our Mandurah Office and look forward to working with her in the future.

The Future

All financial indicators of the business confirm that we continue to experience strong financial health however from time to time it is inevitable that we will be confronted with challenges beyond our control or influence. Closure of the Point Henry and Yennora plants is an example at hand.

Over the past 10 - 20 years AWA Directors have made numerous strategic decisions regarding the direction of the business which protect it from risk in the event of decisions beyond its area of accountability. Whilst our preferred position would obviously have been to see the Point Henry and Yennora plants continue to operate, our business viability is in no way considered under threat.

Directors will continue to consider alternative business strategies which serve to safeguard the member value proposition, eliminate or minimise business risks and ensure continuous viability.

In Summary

I would like to thank my fellow Board members and our staff for their continued support during the past financial year. Their performance over past years has resulted in an outstanding result for your Credit Union.

Brian Virtue
Chairman

DIRECTOR'S REPORT

Your directors present their report on the Credit Union for the financial year ended 30 June 2014.

The Credit Union is a company registered under the Corporations Act 2001.

INFORMATION ON DIRECTORS

The names of the directors in office at any time during or since the end of the year are:-

Name	Qualifications	Experience
Brian R Virtue Chairman	MAMI Retired HR Consultant	Member of the Board of Directors since 1971 (resigned 1973, re-elected 1982), Chairman since 1983.
Peter Richardson Vice-Chairman	B Com, CPA, Dip Tm, Grad Dip Tax, MAMI Self-employed Consultant	Member of the Board of Directors since 1996, Vice-Chairman since 2002, Chairman of the BARC.
Richard P Lyle Director	B Com, CPA, MAMI Self-employed Consultant	Member of the Board of Directors since 2000 (resigned 2001, re-elected 2005). Member of the BARC.
Brett J Noonan Director	Grad Dip Bus, MAMI Union Steward – Alcoa World Alumina Australia	Member of the Board of Directors since 2001.
Warwick J Peel Director	MAMI Production Supervisor – Alcoa Australia Rolled Products	Member of the Board of Directors since 1992
Stevern J Ward Director	MAMI Work Execution Co-ordinator – Alcoa World Alumina Australia	Member of the Board of Directors since 2006.
Christopher Welsh Director	B Com, CPA, FAMI, Dip Financial Services Senior Management Accountant – Alcoa World Alumina Australia	Member of the Board of Directors since 2003, Member of the BARC.
Neville Pearce Director	MBA, Bachelor of Engineering Chief Operating Officer – Coliban Water	Member of the Board of Directors since 2013.

The name of the Company Secretary in office at the end of the year is:-

Name	**Qualification**	**Experience**
Graeme N Scannell Secretary/Manager	B Com, CPA, FAMI	General Manager of the Credit Union since 1991, Secretary of the Credit Union since 1992.

<u>Directors' Meeting Attendance</u>

H = Meetings held in the period of appointment A=Attended

Director	Board		Strategic Planning		BARC		Period of Appointment
	H	A	H	A	H	A	
Brian R Virtue	12	11	1	1	-	-	Full Year
Peter Richardson	12	12	1	1	3	3	Full Year
Richard P Lyle	12	10	1	1	3	3	Full Year
Brett J Noonan	12	8	1	1	-	-	Full Year
Warwick J Peel	12	12	1	1	-	-	Full Year
Stevern J Ward	12	10	1	1	-	-	Full Year
Christopher Welsh	12	9	1	1	3	1	Full Year
Neville Pearce	7	7	1	1	-	-	13/11/13

Director	Remuneration Committee		Director & Board Assessment Committee		Period of Appointment
	H	A	H	A	
Brian R Virtue	1	1	1	1	Full Year
Peter Richardson	1	1	1	1	Full Year
Richard P Lyle	-	-	-	-	Full Year
Brett J Noonan	-	-	-	-	Full Year
Warwick J Peel	-	-	-	-	Full Year
Stevern J Ward	-	-	-	-	Full Year
Christopher Welsh	1	1	1	1	Full Year
Neville Pearce	-	-	-	-	13/11/13

DIRECTORS' BENEFITS

No director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Credit Union with a body corporate related to a director, a firm of which a director is a member or a Credit Union in which a director has a substantial financial interest.

INDEMNIFYING OFFICER OR AUDITOR

Insurance premiums have been paid to insure each of the directors and officers of the Credit Union, against any costs and expenses incurred by them in defending

any legal proceedings arising out of their conduct whilst acting in their capacity as an officer of the Credit Union. In accordance with normal commercial practice, disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.
No insurance cover has been provided for the benefit of the auditors of the Credit Union.

FINANCIAL PERFORMANCE DISCLOSURES
PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

No significant changes in the nature of these activities occurred during the year.

OPERATING RESULTS

The total comprehensive income of the Credit Union for the year after providing for income tax was $ 951,100 (2013 - $1,067,961).

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the directors of the Credit Union.

REVIEW OF OPERATIONS

The results of the Credit Union’s operations from its activities of providing financial services to its members did not change significantly from those of the previous year.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Credit Union during the year.

EVENTS OCCURRING AFTER BALANCE DATE

At the end of the 2014 calendar year, the Alcoa plants at Point Henry, Geelong and Yennora, Sydney will cease operations. This will require the relocation of our Point Henry and Yennora offices.

On 1 August 2014 the majority of the workers at Alcoa’s Point Henry plant ceased work with the remainder of this work force as well as the Yennora workforce to finish up during December 2014.

The Board has planned for this eventuality for quite some time and although the financial performance of the credit union will be negatively impacted, the Board remains confident about the ongoing viability of the credit union, evidenced by a relatively strong financial performance in the first quarter of the 2014/15 financial year.

LIKELY DEVELOPMENTS AND RESULTS

The first stage of Alcoa redundancies arising from the closure of the Alcoa Point Henry plant occurred in August, 2014 and this event has generated a material increase in deposit balances (with more expected at the end of 2014), but has not at this stage generated the level of loan balance reductions that were anticipated.

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:-

(i) The operations of the Credit Union;
(ii) The results of those operations; or
(iii) The state of affairs of the Credit Union

in the financial year subsequent to this financial year.

AUDITORS' INDEPENDENCE

The auditors have provided the declaration of independence to the Board as prescribed by the Corporations Act 2001 as set out on page 9.

ROUNDING

The amounts contained in the financial statements have been rounded to the nearest one thousand dollars in accordance with ASIC Class Order 98/100 (as amended by 06/51). The Credit Union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures which are shown in whole dollars.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Brian R Virtue	Peter Richardson
Chairman	Vice-Chairman

Dated: 8 October 2014

Crowe Horwath

Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of AWA Credit Union Ltd

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been no contraventions of:

1) The auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

2) Any applicable code of professional conduct in relation to the audit.

Crowe Horwath

CROWE HORWATH MELBOURNE

Anne Lockwood

ANNE LOCKWOOD
Partner

Geelong, Victoria
Date: 16 October 2014

DIRECTORS DECLARATION

The directors of AWA Credit Union Limited declare that:-

The financial statements comprising Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Equity, Statement of Cash Flows, accompanying notes and notes related thereto, are in accordance with the Corporations Act 2001, and:-

(a) comply with Australian Accounting Standards and Corporations Regulations 2001; and
(b) give a true and fair view of the financial position of the Credit Union as at 30 June 2014 and performance for the year ended on that date.

In the directors' opinion there are reasonable grounds to believe that the Credit Union will be able to pay its debts as and when they become due and payable.

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

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Brian R Virtue
Chairman

Dated: 8 October 2014

Crowe Horwath

Independent Auditor's Report to the Members of AWA Credit Union Ltd

Report on the financial report

We have audited the accompanying financial report of AWA Credit Union Ltd, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Crowe Horwath

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of AWA Credit Union Ltd, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's opinion

In our opinion:

a) the financial report of AWA Credit Union Ltd is in accordance with the *Corporations Act 2001*, including:

   I. giving a true and fair view of the entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   II. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Crowe Horwath

CROWE HORWATH MELBOURNE

Anne Lockwood

Anne Lockwood

Partner

Geelong Victoria
Dated this 16 October 2014

The relationship you can count on

STATEMENT OF COMPREHENSIVE INCOME
FOR YEAR ENDED 30 JUNE 2014

	Note	**2014 $'000**	**2013 $'000**
Interest revenue	2.a	6,343	6,659
Interest expense	2.c	3,732	4,036
Net interest income		2,611	2,623
Fee commission and other income	2.b	1,752	2,828
		4,363	5,451
Non interest expenses			
Impairment losses on loans receivable from members	2.d	48	2
General administration			
- Employees compensation and benefits	2.f	1,180	1,200
- Depreciation and amortisation	2.f	98	112
- Information technology		455	443
- Office occupancy		123	110
- Other administration		1,110	2,068
Total non interest expenses	2.e	3,014	3,935
Profit before income tax		1,349	1,516
Income tax expense	3	398	448
Profit after income tax		951	1,068
Total comprehensive income for the year		951	1,068

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
ASSETS			
Cash	4	675	388
Receivables from financial institutions	5	24,454	25,058
Trade Receivables	6	423	505
Prepayments		18	11
Loans to members	7	105,524	93,730
Available for sale investments	9	142	142
Property, plant and equipment	10	160	211
Taxation assets	11	269	250
Intangible assets	12	24	57
TOTAL ASSETS		131,689	120,352
LIABILITIES			
Short term borrowings	13	27,492	27,492
Deposits from other institutions	13	30,508	20,508
Deposits from members	14	58,640	58,102
Creditor accruals and settlement accounts	15	1,128	1,294
Taxation liabilities	16	182	193
Employee Benefits	17	570	546
TOTAL LIABILITIES		118,520	108,135
NET ASSETS		13,169	12,217
MEMBERS' EQUITY			
Capital reserve account	18	53	47
General reserve for credit losses	19	317	281
Retained earnings		11,199	10,289
Subordinated debt	35	1,600	1,600
TOTAL MEMBERS' EQUITY		13,169	12,217

The accompanying notes form part of these financial statements

STATEMENT OF CHANGES IN MEMBERS' EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Capital Reserve Account	General Reserve for Credit Losses	Retained Earnings	Sub-debt	Total
	$'000	$'000	$'000	$'000	$'000
Total at 1 July 2012	36	256	9,246	1,600	11,138
Total comprehensive income for the year	-	-	1,068	-	1,068
Transfers to (from) reserves					
Transfer to (from) general reserve for credit losses in year	-	25	(25)	-	-
Transfer to (from) capital account on redemption of Shares	11	-	-	-	11
Total at 30 June 2013	47	281	10,289	1,600	12,217

	Capital Reserve Account	General Reserve for Credit Losses	Retained Earnings	Sub-debt	Total
	$'000	$'000	$'000	$'000	$'000
Total at 1 July 2013	47	281	10,289	1,600	12,217
Total comprehensive income for the year	-	-	951	-	951
Transfers to (from) reserves					
Transfer to (from) general reserve for credit losses in year	-	36	(36)	-	-
Transfer to (from) capital account on redemption of Shares	5	-	(5)	-	-
Total at 30 June 2014	52	317	11,199	1,600	13,169

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
OPERATING ACTIVITIES			
Revenue Inflows			
Interest received		6,322	6,694
Fees and Commissions		1,786	2,742
Dividends		29	29
Other income		40	48
Revenue outflows			
Interest paid		(3,760)	(4,179)
Suppliers and employees		(3,054)	(4,005)
Income taxes paid		(409)	(331)
Net cash from revenue activities	34.b	954	998
Inflows from other operating activities			
Net loans and advances to members – (Increase)/Decrease		(11,794)	(8,500)
Deposits and shares – Increase/(Decrease)		10,538	7,791
Deposits with other ADIs – (Increase)/Decrease		604	(2,635)
Net cash from/(used in) operating activities		(652)	(3,344)
INVESTING ACTIVITIES			
Investments – Sale/(Purchase)		-	7
Intangible assets – (Acquisition)		(9)	(27)
Property, plant & equipment – (Acquisition)		(6)	(14)
Net cash from investing activities		(15)	(34)
FINANCING ACTIVITIES			
Wholesale borrowings – Increase/(Decrease)		-	2,370
Net cash from financing activities		-	2,370
Total net cash Increase/(Decrease)		287	(10)
Cash at beginning of year		388	398
Cash at end of year	34.a	675	388

The accompanying notes form part of these financial statements

Notes to the financial statements
For the year ended 30 June 2014

1. Significant accounting policies

AWA Credit Union Ltd (the Credit Union) is a for profit company domiciled in Australia. The Financial Statements were authorised for issuance by the Directors on 8 October 2014.

(a) Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial statements of the Credit Union comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: derivative financial instruments.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with a maturity of 3 months or less from balance date that can be readily converted into cash within two business days. Bank overdrafts that are repayable on demand and form an integral part of the Credit Union's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(d) Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (see Note 1(f)).

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence impairment losses are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment losses are required.

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If an impairment loss is required, the loan is included in non-accrual loans.

(e) Full time equivalent employees

The Credit Union employed 14 (2013 – 14) full time equivalent staff at the end of the financial year.

(f) Impairment

Specific and collective provision for impairment

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 8. Note 20 details the credit risk management approach for loans.

The APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears. This approach is used to assess the collective provisions for impairment.

An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower.

Reserve for credit losses

In addition to the above specific provision, the board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties in the future. The reserve is based on estimation of potential risk in the loan portfolio based upon:

- the level of security taken as collateral; and
- the concentration of loans taken by employment type.

Renegotiated loans
Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each renegotiated loan is retained at the full arrears position until the normal repayments are reinstated and brought up to date and maintained for a period of 6 months.

Bad debts written off (direct reduction in loan balance)
Bad debts are written off from time to time as determined by the board of directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provisions for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the statement of income.

(g) Property, plant and equipment & intangible assets

(i) Owned assets
Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets
Leases in terms of which the Credit Union assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below).

(iii) Subsequent assets
The Credit Union recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred; if it is probable that the future economic benefits embodied within the item will flow to the Credit Union, and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Notes to the financial statements
For the year ended 30 June 2014

(iv) Depreciation/amortisation

Depreciation/amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives in the current and comparative periods are as follows:

• Office furniture & equipment	7 years
• Leasehold improvements	7 years
• Motor vehicles	5 years
• Computer hardware	4 years

The residual value, if significant, is reassessed annually.

(v) Intangible assets

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets.

Computer software is amortised over the expected useful life of the software. The estimated useful lives in the current and comparative periods are as follows:

• Computer software	3 years

(h) Employee entitlements

Short term & Long Term Benefits

Provision is made for the credit union's liability for employee benefits arising from services rendered by employees to balance date.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Annual leave is included in 'other long-term benefit' and discounted when calculating the leave liability as the Group does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period. Annual leave liability is still presented as current liability for presentation purposes under AASB 101 *Presentation of Financial Statements*.

Previously annual leave benefits have been measured at their nominal amount.

Other 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 discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the credit union based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date. Annual leave is reflected as part of the sundry creditors and accruals.

Contributions are made by the credit union to an employee's superannuation fund and are charged to the income statement as incurred.

(i) Income recognition

Interest revenue
Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Fees and commissions
Fees and commissions are recognised as revenues on an accrual basis.

Dividend income
Dividend income is taken into revenue as received.

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
Payments made under operating leases are charged against profits in equal instalments over the accounting periods covered by the lease term.

(k) Income tax

Income tax on the Statement of Comprehensive Income for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the Statement of Financial Position liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

(l) Goods and Services Tax

Revenues, expenses and assets are recognised net of the goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO).

As a financial institution the company is input taxed on all income, except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input taxed credits (RITC), of which 75% of the GST paid is recoverable.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from or payable to the ATO is included as a current asset or liability in the Statement of Financial Position. As a provider of input taxed services the Credit Union is entitled to claim a Reduced Input Tax Credit on certain supplies.

Cashflows are included on the Statement of Cashflows on a gross basis. The GST components of cashflows from investing and financing activities that are recoverable from, or payable to the ATO are classified as operating cash flows.

Notes to the financial statements
For the year ended 30 June 2014

(m) Provisions

A provision is recognised in the Statement of Financial Position when the Credit Union has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Credit Union's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note:

- Note 8 – Impairment of loans and advances.

(o) Off balance sheet lending

The Credit Union has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans on both a "Drip Feed" and a "Bulk Sale" basis whereby the Credit Union has acted as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union receives a management fee in relation to loans originated via these methods. The Credit Union bears no risk exposure in respect of these loans.

The volume of "Drip Feed" loans originated during 2013/14 totalled $2.5m (2012/13 - $2.5) and the volume of "Bulk Sale" loans originated during 2013/14 totalled $8.1m (2012/13 - $18.8m).

With the winding up of the Integris Securitisation Services Pty Ltd (Perpetual Trustees) Securitisation Program in February, 2014 AWA have entered into a new Off Balance sheet funding program with Bendigo and Adelaide Bank. Loans originated using this program during 2013/14 totalled $10.01m.

(p) Reserves

Retained earnings

Retained earnings represents the accumulation of the current year's and prior years' trading profits of the Credit Union. Retained earnings as at 30 June 2014 are $11.2m (2013 - $10.3m).

Notes to the financial statements
For the year ended 30 June 2014

Lending risk reserve (reserve for credit losses)
AIFRS precludes the Credit Union from holding a general provision for doubtful debts in its Statement of Financial Position. The balance of the general provision is now carried in a suitably styled reserve account in equity as an allocation from retained profits.

The Credit Union has transferred the amount of $316,557 to a lending risk reserve account as at 30 June 2014 (2013 - $281,017). This reserve is calculated at the rate of 0.3% of loan balances.

Member share redemption reserve (capital reserve)
The Capital reserve account includes amounts allocated for the purpose of a member share redemption balance per Compliance Note 2001.084. The balance of $52,730 (2013 - $47,230) represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. The law requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the account represents the amount of profits appropriated to the account. The 2014 allocation amounts to $5,500 (2013 - $10,840).

(q) Member Deposits

(i) Basis for Determination
Deposits at call and term investments are quoted at the aggregate amount of money owing to depositors.

(ii) Interest Payable
Interest on deposits is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on deposits is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each deposit and term deposit account as varied from time to time. The amount of the accrual is shown as part of Creditor Accruals and Settlement Accounts.

(r) Financial instruments

Recognition & initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Credit Union becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires 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 where the related obligations are either discharged, cancelled or expire. The difference between the carrying value 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.

Classification & subsequent measurement of financial assets

(i) Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables
- financial assets at fair value through profit or loss (FVTPL)
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within finance costs, finance income or other financial items, except for impairment of loans and receivables which is presented within other expenses.

(ii) *Loans & receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. The Credit Union's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in Credit Unions, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified Credit Union.

(iii) *Financial assets at FVTPL*
Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

Notes to the financial statements
For the year ended 30 June 2014

(iv) HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Credit Union has the intention and ability to hold them until maturity. The Credit Union currently holds Negotiable Certificates of Deposit (NCD) in this category. If more than an insignificant portion of these assets are sold or redeemed early then the asset class will be reclassified as Available For Sale financial assets.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

(v) Available For Sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Credit Union's AFS financial assets are the equity investment in Cuscal Limited, and TransAction Solutions Ltd.

The equity investment in Cuscal Limited, and TransAction Solutions Ltd are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at fair value. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss, and presented as reclassification adjustments within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

(vi) *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Notes to the financial statements
For the year ended 30 June 2014

Fair value measurement hierarchy
The entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment
At each reporting date, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Comprehensive Income.

(s) New accounting standards and interpretations

AASB 9 Financial Instruments - A new standard was issued in December 2009 and is mandatory for annual reporting periods beginning on or after 1 January 2018. It provides revised guidance on the classification and measurement of financial assets and is the first phase of a multi-phase project to replace AASB 139 Financial Instruments: Recognition and Measurement. Under the new guidance, a financial asset is to be measured at amortised cost only if it is held within a business model whose objective is to collect contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are payments solely of principal and interest (on the principal amount outstanding). All other financial assets are to be measured at fair value.

This standard was revised in December 2010 to include new requirements for the measurement and classification of financial liabilities. The Company has not fully yet determined the potential effect of the standard. The Company does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted in respect of financial liabilities.

Accounting Standards applied in the current year for the first time
AASB 13 *Fair Value Measurement* - A new standard was issued in September 2011 and is mandatory for annual reporting periods beginning on or after 1 January 2013. It defines fair value, and sets out in a singled standard a framework for measuring fair value. AASB 13 requires inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy. It also requires enhanced disclosures regarding all assets and liabilities. When this standard was first adopted on 1 July 2013, additional disclosures have been required about fair values.

AASB 119 *Employee Benefits* – This standard was re-issued in September 2012 and is mandatory for annual reporting periods beginning on or after 1 January 2013. The standard introduces a number of changes to the accounting and presentation of defined benefit plans. It also changes the definition of short-term and other long-term employee benefits to clarify the distinction between the two. Employee benefits expected to be settled (as opposed to due to be settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period is to be discounted when calculating leave liability. There was no material effect from this standard when it was first adopted.

	Note	2014 $'000	2013 $'000
2. INCOME STATEMENT			
a. Analysis of interest revenue			
Interest revenue on assets carried at amortised cost			
Cash – deposits at call	5	241	427
Receivables from financial institutions	5	704	667
Loans to members	7.a	5,398	5,565
TOTAL INTEREST REVENUE		6,343	6,659
b. Non-Interest Revenue			
Fee and commission revenue			
Fee income on loans – other than loan origination fees		119	131
Fee income from member deposits		219	237
Other fee income		1,266	2,319
Other commissions		79	64
TOTAL FEE AND COMMISSION REVENUE		1,683	2,751
Other income			
Available for sale assets			
Dividends received on available for sale assets		29	29
Bad debts recovered		1	-
Miscellaneous income		39	48
TOTAL OTHER INCOME		69	77
TOTAL FEE COMMISSION AND OTHER INCOME		1,752	2,828
c. Interest expense			
Interest expense on liabilities carried at amortised cost			
Short term borrowings		1,050	1,094
Deposits from financial institutions		1,057	1,132
Deposits from members		1,519	1,694
Interest on subordinated debt		106	116
TOTAL INTEREST EXPENSE		3,732	4,036

	Note	2014 $'000	2013 $'000
d. Impairment losses			
Loans and advances			
Bad Debts written off		13	-
Increase (decrease) in provision for impairment		35	2
TOTAL IMPAIRMENT LOSSES		48	2
e. Individually significant items of expenditure (detail)			
The following items of expense are shown as part of Administration Expenses and considered to be significant to the understanding of the financial performance:-			
Computer Software Maintenance		281	276
Data Line Rental		60	60
Transaction Processing Costs		76	71
Redicard Transaction Fees		110	120
Corporate Insurances		42	44
Network Support		36	34
Bank Charges		59	62
Redicard Production and Participation Fees		23	26
Securitisation Expenses		20	14
f. Other prescribed disclosures			
General administration – employees compensation and benefits include:			
- net movement in provisions for employee annual leave		(10)	24
- net movement in provisions for employee long service leave		34	34
- superannuation		140	135
General administration – depreciation & amortisation expenses include:			
- plant and equipment		27	27
- leasehold improvements		29	28
- amortisation of software		42	57
		98	112
General administration – office occupancy costs include:			
property operating lease payments		102	92

	Note	2014 $'000	2013 $'000
Other administration expenses include:			
Auditor's remuneration			
- Audit Fees		44	24
- Other Services – Taxation		1	1
		45	25

3. INCOME TAX EXPENSE

a. The income tax expense comprises amounts set aside as:-

	Note	2014 $'000	2013 $'000
Current tax expense – current year profits		380	460
Deferred tax expense			
Decrease (increase) in the deferred tax asset account		18	(12)
Total income tax expense in statement of comprehensive income	3.b	398	448

b. The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:

	Note	2014 $'000	2013 $'000
Profit		1,349	1,516
Prima facie tax payable on profit before income tax at 30%		405	455
Add tax effect of expenses not deductible		24	18
Less			
- Franking rebate		13	13
- Adjustment to recognise deferred tax assets increase		18	12
Income tax expense attributable to current year profit		398	448

4. CASH

	Note	2014 $'000	2013 $'000
Cash on hand	34.a	675	388

5. RECEIVABLES FROM FINANCIAL INSTITUTIONS

	Note	2014 $'000	2013 $'000
Deposits with industry bodies – Cuscal	27	1,569	621
Deposits with other Financial Institutions	27	22,885	24,437
		24,454	25,058

	Note	2014 $'000	2013 $'000

6. TRADE RECEIVABLES

	Note	2014 $'000	2013 $'000
Interest receivable on deposits with other financial institutions		335	314
Sundry debtors and settlement accounts		88	191
		423	505

7. LOANS TO MEMBERS

a. Amount due comprises:

	Note	2014 $'000	2013 $'000
Overdrafts and revolving credit		94	113
Term Loans		105,520	93,672
Subtotal		105,614	93,785
Less:			
Provision for impaired loans	8	90	55
		105,524	93,730

b. Credit quality

	Note	2014 $'000	2013 $'000
Secured by mortgage over real estate		98,262	84,893
Partly secured by goods mortgage		6,310	7,325
Wholly unsecured		1,042	1,567
		105,614	93,785

A breakdown of the quality of the residential mortgage secured loans portfolio is as follows:

	2014 $'000	2013 $'000
- loan to valuation ratio of less than 80% (based upon a registered valuation of the collateral security at the commencement of the loan)	90,370	82,222
- loan to valuation ratio of more than 80% but mortgage insured (based upon a registered valuation of the collateral security at the commencement of the loan)	7,892	2,671
Total	98,262	84,893

Where the loan value is less than 80% there is a 20% margin to cover the costs of any sale, or potential value reduction.

	2014 $'000	2013 $'000

c. Concentration of loans

The values discussed below are on balance sheet values.

(i) Loans to individual or related groups of members which exceed 10% of reserves in aggregate

	2014 $'000	2013 $'000
Total	2,694	2,566

(ii) Geographical concentrations

2014	**Housing**	**Personal**	**Total**
NSW	6,314	394	6,708
Victoria	65,620	5,176	70,796
Queensland	1,716	42	1,758
South Australia	0	1	1
Western Australia	21,810	1,569	23,379
Territories	2,802	170	2,972
Total per Statement of Financial Position	98,262	7,352	105,614

2013	**Housing**	**Personal**	**Total**
NSW	5,767	616	6,383
Victoria	62,024	6,167	68,191
Queensland	1,124	52	1,176
South Australia	-	4	4
Western Australia	15,858	1,942	17,800
Territories	120	111	231
Total per Statement of Financial Position	84,893	8,892	93,785

Loans to natural persons

	2014 $'000	2013 $'000
Residential loans and facilities	95,179	81,941
Personal loans and facilities	7,446	8,892
	102,625	90,833

d. Securitised loans

The Credit Union has assigned the rights and benefits of a parcel of mortgage secured loans to a securitisation entity. The total value transferred during the financial year was $10,276,330 (2013 $14,758,804). The transfer satisfies the de-recognition criteria prescribed in AASB 139, and the value has been removed from the carrying loan value in the Statement of Financial Position. The purpose of the transfer was to secure additional liquid funds to meet further loan demands from members. These loans do not qualify for recognition in the books of the

Credit Union and are not recognised in the books of the Credit Union at any time.

The value of the securitised loans under management comprising both those assigned and those funded as agents, is set out in Note 25.

e. Loan sales

The Credit Union has entered into an arrangement to sell loans to Bendigo and Adelaide Bank and retain the servicing rights. The total value sold during the financial year was $10.01m (2013 $0.0m).

The purpose of the sales is to secure additional liquid funds to meet further loan demands from members. These loans do not qualify for recognition in the books of the Credit Union and are not recognised in the books of the Credit Union at any time.

		2014 $’000	2013 $’000
8.	**PROVISION ON IMPAIRED LOANS**		
a.	**Total provision comprises**		
	Collective provisions	90	55
b.	**Movement in provision for impairment**		
	Balance at the beginning of year	55	69
	Add (deduct):		
	Transfers from (to) income statement	35	2
	Bad debts written off against provision	-	(16)
	Balance at end of year	90	55
	Details of credit risk management is set out in Note 20.c		
c.	**Impaired loans written off**		
	Amounts written off against the provision for impaired loans	-	16
	Amounts written off directly to expense	13	-
	Total bad debts	13	16
	Bad debts recovered in the period	1	2

d. Analysis of loans that are impaired or potentially impaired by class

In the Note below –

- Carrying Value is the amount from the Statement of Financial Position

- Impaired loans value is the 'on balance sheet' loan balances which are past due by 90 days or more
- Provision for impairment is the amount of the impairment provision allocated to the class of impaired loans

	2014	2014	2014		2013	2013	2013
	Carrying value	**Value of Impaired Loans**	**Provision for Impairment**		**Carrying value**	**Value of Impaired Loans**	**Provision for Impairment**
	$'000	**$'000**	**$'000**		**$'000**	**$'000**	**$'000**
Mortgages	95,179	-	-		81,941	-	-
Personal	7,352	116	90		8,779	66	55
Overdrafts	94	-	-		113	-	-
Total to natural persons	102,625	116	90		90,833	66	55

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and conditions.

e. Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2014	2014		2013	2013
	Carrying Value	**Provision**		**Carrying Value**	**Provision**
	$'000	**$'000**		**$'000**	**$'000**
Non impaired up to 30 days	18,357	-		16,278	-
30 to 90 days in arrears	1,395	-		120	-
90 to 182 days in arrears	34	15		3	2
182 to 273 days in arrears	593	2		25	16
273 to 365 days in arrears	21	17		6	4
Over 365 days in arrears	56	56		33	33
Total	20,456	90		16,465	55

Some impaired or potentially impaired loans are secured by bill of sale over motor vehicles or residential property. It is not practicable to determine fair value of all collateral as at the balance date due to the variety of assets and conditions.

f. Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Credit Union is required to estimate the potential impairment using the length of time the loan is in arrears and the historical losses arising in past years. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

Period of impairment	
Up to 90 days	0%
90 days to 182 days	40%
182 days to 273 days	60%
273 days to 265 days	80%
Over 365 days	100%

	2014 $'000	2013 $'000
9. AVAILABLE FOR SALE INVESTMENTS		
Shares in unlisted companies – at cost		
- Cuscal Ltd	136	136
- TAS Pty Ltd	6	6
	142	142

a. Disclosures on shares held at cost

The shareholdings in Cuscal and TAS are measured at cost as its fair value could not be measured reliably. These companies were created to supply services to member Credit Unions and do not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking and information technology services – refer Note 33. The shares are not able to be traded and are not redeemable.

The financial reports of Cuscal and TAS record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of Cuscal and TAS, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

		2014 $'000	2013 $'000

10. PROPERTY, PLANT AND EQUIPMENT

		2014 $'000	2013 $'000
a.	Plant and equipment – at cost	176	248
	Less: provision for depreciation	128	179
		48	69
	Capitalised leasehold improvements at cost	267	279
	Less: provision for amortisation	155	138
		112	141
	Total Property, Plant and Equipment	160	210

b. Movement in the assets balances during the year were:

	2014			2013		
	Plant & equipment $'000	Leasehold improvements $'000	Total $'000	Plant & equipment $'000	Leasehold improvements $'000	Total $'000
Opening balance	69	141	210	90	163	253
Plus Purchases	6	-	6	6	6	12
Less Assets disposed	-	-	-	-	-	-
Depreciation charge	(27)	(29)	(56)	(27)	(28)	(55)
Balance at the end of the year	48	112	160	69	141	210

Note – Leasehold improvement includes the operating lease make good provisions where applicable.

11. TAXATION ASSETS

	2014 $'000	2013 $'000
Deferred tax assets comprise:		
Provisions for impairment on loans	84	76
Provisions for employee benefits	177	167
Provisions for other liabilities	8	7
	269	250

	2014 $'000	2013 $'000
12. INTANGIBLE ASSETS		
Computer software	344	466
Less provision for amortisation	320	409
	24	57
Movement in the assets balances during the year were:		
Opening balance	57	85
Plus Purchases	9	28
Less Amortisation charge	42	56
Balance at the end of the year	24	57

	2014 $'000	2013 $'000
13. SHORT TERM BORROWINGS & DEPOSITS FROM OTHER INSTITUTIONS		
Loans – Bridges Financial Services	8,492	8,492
Loans - Cuscal	19,000	19,000
	27,492	27,492

The above loans are unsecured with varying repayment terms of up to 6 months. There were no defaults on interest and capital payments on these liabilities in the current or prior year.

	2014 $'000	2013 $'000
Deposits -		
Questor	11,508	11,508
Shell Employees Credit Union Limited	2,000	2,000
Esso Employees Credit Union	4,500	4,000
Ford Co-Operative Credit Society Limited	2,000	2,000
Circle Credit Co-operative Limited	1,000	1,000
Swan Hill Credit Co-operative Limited	500	-
Service One Members Banking	6,000	-
First Choice Credit Union	2,000	-
Cape Credit Union	1,000	-
	30,508	20,508

	2014 $'000	2013 $'000
14. DEPOSITS FROM MEMBERS		
Member Deposits		
- at call	24,316	23,091
- term	34,278	34,961
Member withdrawable shares	46	50
	58,640	58,102

	2014 $'000	2013 $'000
Concentration of member deposits		
(i) Member deposits at balance date were received from individuals employed principally in Australia and principally with Alcoa Australia Ltd.		
(ii) Geographical concentrations		
Victoria	44,257	47,300
NSW	8,475	5,429
Queensland	518	536
South Australia	237	188
Western Australia	5,008	4,588
Tasmania	39	31
Territories	106	30
Total per balance sheet	58,640	58,102

15. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2014 $'000	2013 $'000
Interest payable on borrowings	216	235
Interest payable on deposits	599	608
Settlement Accounts	173	327
Sundry creditors	140	124
	1,128	1,294

16. TAXATION LIABILITIES

	2014 $'000	2013 $'000
Current income tax liability/(refund)	182	193

Current income tax liability/(refund) comprises:

	2014 $'000	2013 $'000
Balance – previous year	193	64
Plus Liability for income tax in current year	417	460
Less Instalments paid in current year	(428)	(331)
Balance – current year tax liability (refund)	182	193

17. EMPLOYEE BENEFITS

	2014 $'000	2013 $'000
Long service leave	336	302
Annual leave	234	244
	570	546

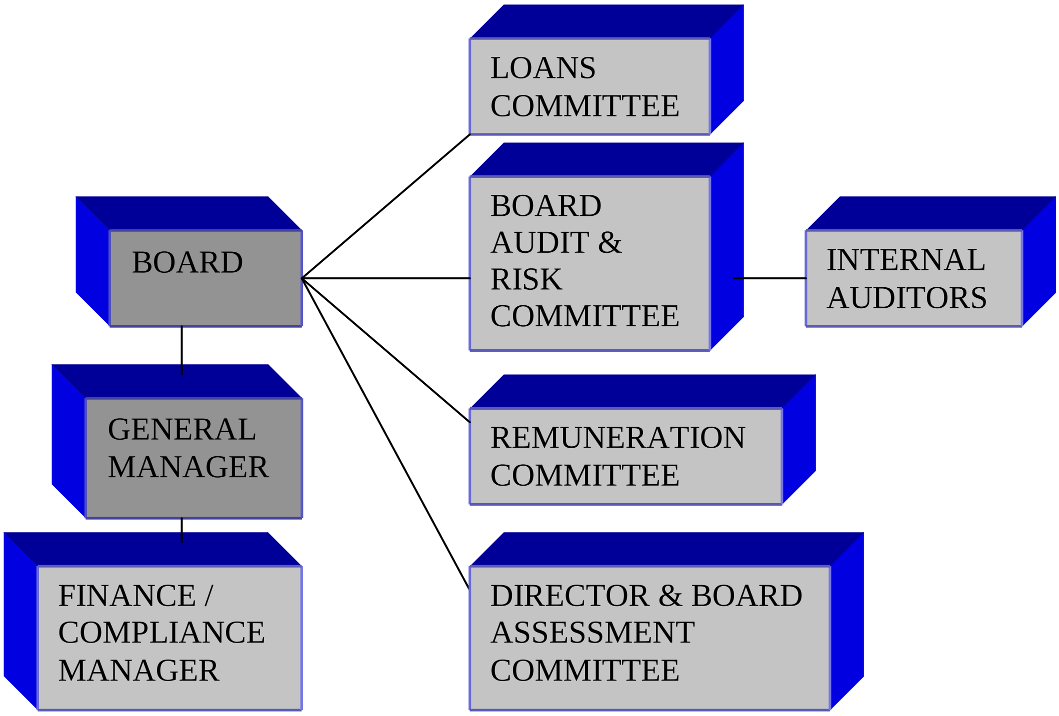
		2014 $'000	2013 $'000
18.	**CAPITAL RESERVE ACCOUNT**		
	Balance at beginning of year	47	36
	Transfer from current year's profit on share redemptions	6	11
	Balance at end of year	53	47
19.	**GENERAL RESERVE FOR CREDIT LOSSES**		
	General reserve for credit losses	317	281
	General reserve for credit losses		
	This reserve records amounts previously set aside as a general provision and is maintained to comply with the Prudential Standards set down by APRA		
	Balance at beginning of year	281	256
	Add: increase (decrease) transferred from Retained Earnings	36	25
	Balance at end of year	317	281

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board has endorsed a policy of compliance and risk management to suit the risk profile of the Credit Union.

The Credit Union's risk management focuses on the major areas of market risk, credit risk and operational risk. Authority flows from the Board of Directors to the various committees which are integral to the management of risk. The following diagram gives an overview of the structure.



The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks.

Board Audit & Risk Committee (BARC): Its key role in risk management is the assessment of the controls that are in place to mitigate risks. The BARC considers and confirms that the significant risks and controls are assessed within the internal audit plan. The BARC receives the internal audit reports on assessment and compliance with the controls, and provides feedback to the Board for their consideration.

The BARC has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The BARC also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

The BARC has responsibility for implementing policies to ensure that all large credit exposures are properly pre-approved, measured and controlled. Details concerning a prospective borrower are subject to a criteria-based decision-making process. Criteria used for this assessment include: credit references, loan-to-value ratio on security and borrower's capacity to repay which vary according to the value of the loan or facility.

All large credit exposure facilities above policy limits are approved by the Board.

Accounts where the arrears are over 90 days or overlimit facilities over 14 days, have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful and the status of these loans is reported to the Board monthly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. Additionally, a collective provision is held to cover any losses where there is objective evidence that losses are present in components of the loans and advances portfolio at the balance date.

Loans Committee: Its role is to approve loans based upon pre-approved authority levels established by the BARC. These loans are generally of a higher value and of a higher risk than those that are able to be approved by the General Manager and Senior Management.

Director & Board Assessment Committee: Its role is to ensure compliance with the Fit and Proper Policy and Prudential Standards.

Remuneration Committee: Its role is to oversee the General Manager's performance assessment and remuneration arrangements and to make recommendations in relation to Board remuneration.

General Manager: The General Manager has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to the exposure limits as outlined in the policies. All interest rate recommendations from the General Manager are subject to approval by the Board.

Finance/Compliance Manager: The Compliance Manager has responsibility for ensuring that instructions passed down from the Board, BARC and General Manager are implemented.

Internal Auditors: Internal Auditors have responsibility for monitoring the controls, testing and assessment as required by the BARC.

Key risk management policies encompassed in the overall risk management framework include:-

- Liquidity Management
- Credit Risk Management
- Operations Risk Management including Data Risk Management
- Capital Management

The Credit Union has undertaken the following strategies to minimise the risks arising from financial instruments.

a) Market Risk Policy

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.
Market risk is the risk that changes in interest rates will have an adverse effect on the Credit Union's financial conditions or results. The Credit Union is not exposed to currency risk, and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the BARC, which reports directly to the Board.

Interest rate risk

Interest rate risk is the risk of variability of the fair value or future cash flows arising from financial instruments due to the changes in interest rates.

Most banks are exposed to interest rate risk within its treasury operations. This Credit Union does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

The Credit Union is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should interest rates change. The level of mismatch on the banking book is set out in Note 27. The table set out at Note 27 displays the period that each asset and liability will reprice at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Interest rate sensitivity

The Credit Union performs a sensitivity analysis to measure market risk exposures.

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:
-the interest rate change would be applied equally over the loan products and term deposits;

-the rate change would be as at the beginning of the 12 month period and no other rate changes would be effected during the period;
-the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
-savings deposits would not reprice in the event of a rate change;
-mortgage loans would all reprice to the new interest rate within 28 days;
-personal loans would reprice after a 3 month delay;
-all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
-the value and mix of call savings to term deposits will be unchanged; and
-the value and mix of personal loans to mortgage loan will be unchanged.
There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

Based on the calculations as at 30 June 2014 (30 June 2013), the net profit impact for a 1% (2013: 1%) movement in interest rates would be $357,453 (2013: $347,394).

b) Liquidity Risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments (eg borrowing repayments or member withdrawal demands). It is the policy of the Board that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

-Continuously monitoring actual daily cash flows and longer term forecasted cash flows;
-Monitoring the maturity profiles of financial assets and liabilities;
-Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
-Monitoring the prudential liquidity ratio daily.

The Credit Union has a longstanding arrangement with the industry liquidity support organisation, Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to the Credit Union should it be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. From time to time, the Credit Union in conjunction with APRA agrees and maintains appropriate liquidity holdings. Should the liquidity ratio fall below this level management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities.

Note 29 describes the borrowing facilities as at the balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 22.

The ratio of liquid funds over the past year is set out below:

	2014	2013
To total adjusted liabilities		
As at 30 June	16.35%	18.17%
Average for the year	18.00%	18.92%
Minimum during the year	15.68%	17.22%
To total member deposits		
As at 30 June	42.88%	43.16%

c) Credit Risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book, investment assets and derivative contracts (where applicable).

	2014	2014	2014	2013	2013	2013
Loan class	Carrying value	Off balance sheet	Max exposure	Carrying value	Off balance sheet	Max exposure
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Mortgage	98,258	25,351	123,609	84,893	29,325	114,218
Personal	7,262	-	7,262	8,779	-	8,779
Overdrafts	94	-	94	113	-	113
Total	105,614	25,351	130,965	93,785	29,325	123,110

Carrying value is the value on the Statement of Financial Position. Maximum exposure is the value on the Statement of Financial Position plus the undrawn facilities (loans approved not advanced, redraw facilities and overdraft facilities). The details are shown in Note 29.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 7.c.

The method of managing credit risk is by way of strict adherence to the credit assessment policies before the loan is approved and close monitoring of defaults in the repayment of loans thereafter on a weekly basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (ie capable of meeting loan repayments).

The Credit Union has established policies over:
-Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
-Limits of acceptable exposure to individual borrowers, non-mortgage secured loans and concentrations to geographic and industry groups considered at high risk of default;
-Reassessment and review of the credit exposures on loans and facilities;
-Establishment of appropriate provisions to recognise the impairment of loans and facilities;
-Debt recovery procedures.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Credit Union that requires interest and a portion of the principal to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loan is regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 30 days. For loans where repayments are doubtful, external consultants are generally engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominantly in the area of personal loans and facilities not secured by registered mortgages over real estate.

If a loss is probable, the estimated recoverable amount of the asset is determined and any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the statement of comprehensive income. In estimating these cash flows, management makes judgements about a counter party’s financial situation and the net realisable value of any underlying collateral.

Statement of Financial Position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in the Credit Union’s loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

The provisions for impaired and past due exposures relate to loans to members. Loan balances which are 90 days or more in arrears are considered past due.

Details are as set out in Note 8.

Bad debts

Amounts are written off when collection of the loan or advance is considered unachievable. All write offs are on a case by case basis.
In relation to secured loans, the write off takes place after realisation of collateral, or following claims on lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 8.

Collateral securing loans

A sizeable portfolio of the loan book is secured by residential property in Australia. Therefore, the Credit Union is exposed to risks associated with a possible decline in property market values.
The risk of losses is primarily reduced by the nature and quality of the security taken.

Note 7.b describes the nature and extent of the security held against the loans held as at the balance date.

Concentration risk – individuals

Concentration risk is a measurement of the Credit Union’s exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union’s regulatory capital (10 per cent) a large exposure is considered to exist. No capital is required to be held against these but APRA must be informed. APRA may impose additional capital requirements if it considers the aggregate exposure to all loans over the 10% capital benchmark, to be higher than acceptable.

The Credit Union holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with quarterly reviews being undertaken for all exposures over 5 per cent of the capital base.

Concentration risk – industry

The Credit Union minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of members.

The Credit Union has a concentration in retail lending to members who comprise employees and family in the Alumina/Aluminium industry. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of loans.

The details of the geographical concentrations are set out in Note 7 (c).

Credit Risk – Liquid Investments

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

There is a concentration of credit risk with respect to investment receivables with the placement of investments with Cuscal who are eligible to receive 100% of the Credit Union's liquid funds. The credit policy is that investments are only made to institutions that are credit worthy. The risk losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the concentration limit imposed by the policy.

External Credit Assessment for Institution Investments

The Credit Union's liquid funds are held in Australian ADIs with a limit of $5,400,000 per ADI so as to satisfy the large exposure limitations under the prudential standards, except for holdings with CUSCAL which are not limited.

d) Operational Risk

Operational risk is the risk of loss to the Credit Union resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in the Credit Union relate mainly to those risks arising from a number of sources including legal compliance; business continuity; data infrastructure; outsourced services failures; fraud; and employee errors.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of policies and systems to monitor the likelihood of the events and minimize the impact. Systems of internal control are enhanced through:

-the segregation of duties between employee duties and functions, including approval and processing duties;
-documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;

-implementation of the whistleblowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;

-education of members to review their account statements and report exceptions to the Credit Union promptly;
-effective dispute resolution procedures to respond to member complaints;
-effective insurance arrangements to reduce the impact of losses;
-contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud
Fraud can arise from member card PINS, and internet passwords being compromised where not protected adequately by the member. It can also arise from other system failures. The Credit Union has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud is potentially a real cost to the Credit Union.

IT systems
The worst case scenario would be the failure of the Credit Union's core banking and IT network suppliers, to meet customer obligations and service requirements. The Credit Union has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of Credit Unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body Cuscal to service settlements with other financial institutions for direct entry, ATM, and BPay etc.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

e) Capital Management

Capital levels are prescribed by the Australian Prudential Regulation Authority (APRA). Under the APRA prudential standards capital is determined in three components

a. Credit risk
b. Market risk (trading book)
c. Operations risk

The market risk component is not required as the Credit Union is not engaged in a trading book for financial instruments.

In accordance with the APS 330 Public Disclosure requirements, the credit union is required to include details on the composition and features of capital and risk weighted assets in the Regulatory Disclosure section on their website.

Capital resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises
-Retained profits.

Tier 2 Capital

Tier 2 capital consists of capital instruments that combine the features of debt and equity in that they are structured as debt instruments, but exhibit some of the loss absorption and funding flexibility features of equity. There are a number of criteria that capital instruments must meet for inclusion in Tier 2 capital resources as set down by APRA.

Tier 2 capital generally comprises:

- Tier 2 capital instruments – subordinated loan
- A general reserve for credit losses.

Capital in the Credit Union is made up as follows:

	2014 $'000	2013 $'000
Tier 1 Common Equity		
Retained earnings	11,252	10,336
Less prescribed deductions	(435)	(450)
Tier 1 capital	10,817	9,886
Tier 2 Capital		
Tier 2 capital instruments - subordinated loan	1,600	1,600
General Reserve for credit losses	317	281
Less prescribed deductions	(320)	(160)
Net Tier 2 capital	1,597	1,721
Total Capital	12,414	11,607

The Credit Union is required to maintain a minimum capital level of 8% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

The capital ratio as at the end of the financial year over the past 5 years is as follows:

2014	2013	2012	2011	2010
Basel III	**Basel III**	**Basel II**	**Basel II**	**Basel II**
17.43%	17.62%	18.14%	15.95%	16.17%

The level of the capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board if the capital ratio falls below 12% and to APRA if the capital ratio falls below 10%.

Pillar 2 Capital on Operational Risk

This capital component was introduced as from the 1 January 2008 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational charge was prescribed.

The Credit Union uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping the credit union's three year average net interest income and net non-interest income to the Credit Union's various business lines.

It is considered that the Standardised approach accurately reflects the Credit Union's operational risk other than for the specific terms set out below.

Internal capital adequacy management

The Credit Union manages its internal capital levels for both current and future activities through a combination of the various committees. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the Credit Union is reassessed.
In relation to the operational risks, the major measurements for additional capital are:

1. Fraud risk – As the Credit Union has not experienced minimal fraud losses over the past ten years no capital is currently held to cover fraud risk.
2. Property value decline – As all mortgage loans with an LVR in excess of 80% are mortgage insured, no capital is held as a consequence of this risk.

21. CATEGORIES OF FINANCIAL INSTRUMENTS

	Note	2014 $'000	2013 $'000
The following information classifies the financial Instruments into measurement classes			
Financial assets – carried at amortised cost			
Cash	4	675	388
Receivables	6	423	505
Receivables from financial institutions	5	24,454	25,058
Loans to members	7	105,524	93,730
Total loans and receivables		131,076	119,681
Available for sale investments – carried at cost	9	142	142
TOTAL FINANCIAL ASSETS		131,218	119,823
Financial Liabilities			
Short term borrowings	13	27,492	27,492
Creditor accrual and settlement accounts	15	1,128	1,294
Deposits from other institutions	13	30,508	20,508
Deposits from members	14	58,640	58,102
TOTAL FINANCIAL LIABILITIES		117,768	107,396

22. MATURITY PROFILE OF FINANCIAL LIABILITIES

Monetary liabilities have differing maturity profiles depending on the contractual term.

The table below shows the period in which different monetary liabilities held will mature and be eligible for renegotiation or withdrawal.

2014	Within 1 month	1-3 months	3-12 months	1-5 years	No maturity	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
LIABILITIES						
Borrowings	2,000	25,492	-	-	-	27,492
Creditor accruals and settlement accounts	-	-	-	-	1,128	1,128
Deposits from other financial institutions	9,400	13,000	6,278	1,830	-	30,508
Deposits from members – at call	24,362	-	-	-	-	24,362
Deposits from members – term	8,085	11,639	14,219	335	-	34,278
Total financial liabilities	**43,847**	**50,131**	**20,497**	**2,165**	**1,128**	**117,768**
2013	Within 1 month	1-3 months	3-12 months	1-5 years	No maturity	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
LIABILITIES						
Borrowings	2,000	12,492	13,000	-	-	27,492
Creditor accruals and settlement accounts	-	-	-	-	1,294	1,294
Deposits from other financial institutions	4,000	9,000	7,508	-	-	20,508
Deposits from members – at call	23,141	-	-	-	-	23,141
Deposits from members – term	8,996	9,714	10,480	5,771	-	34,961
Total financial liabilities	**38,137**	**31,206**	**30,988**	**5,771**	**1,294**	**107,396**

23. SEGMENTAL REPORTING

The Credit Union operates exclusively in the retail financial services industry within Australia.

24. SUPERANNUATION LIABILITIES

The Credit Union contributes to two separate superannuation plans for the purpose of superannuation guarantee payments and payment of other superannuation benefits on behalf of employees. The plans are administered by independent corporate trustees. The Credit Union has no interest in the superannuation plans (other than as a contributor) and is not liable for the performance of the plans, or the obligations of the plans.

25. SECURITISATION

The Credit Union has an arrangement with Integris Securitisation Services Pty Limited to manage the loans portfolio on behalf of the trust. The Credit Union bears no risk exposure in respect of these loans. The Credit Union receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members.

During the year the Credit Union assigned $8.1m in loans to Integris. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Integris. The amount of securitised loans under management as at 30 June 2014 is $130.8m (2012: $145.7m).

The Credit Union does not have any obligations in connection with performance, or impairment guarantees, or call options to repurchase the loans.

26. LOAN SALES

The Credit Union has an arrangement with Bendigo and Adelaide Bank whereby loans originated by the Credit Union can be on-sold. The Credit Union continues to manage the loans portfolio on behalf of Bendigo and Adelaide Bank. The Credit Union bears no risk exposure in respect of these loans. The Credit Union receives a servicing fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members.

During the year the Credit Union sold $10.01m in loans to Bendigo and Adelaide Bank. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Bendigo and Adelaide Bank. The amount of loans under management as at 30 June 2014 is $8.4m (2013: $0.0m).

The Credit Union does not have any obligations in connection with performance, or impairment guarantees, or call options to repurchase the loans.

27. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual repricing date, or maturity date.

2014	Ave %	Within 1 month	1-3 months	3-12 months	1-5 years	Non interest bearing	Total
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
ASSETS							
Cash	-	-	-	-	-	675	675
Receivables	-	-	-	-	-	423	423
Receivables from financial institutions	3.94	6,569	-	17,885	-	-	24,454
Loans & advances – mortgage	5.01	98,258	-	-	-	-	98,258
Loans & advances - personal	10.45	7,262	-	-	-	-	7,262
Loans & advances – other	10.45	94	-	-	-	-	94
Available for sale investments	-	-	-	-	-	142	142
Total financial assets		**112,183**	**-**	**17,885**	**-**	**1,240**	**131,308**
	Ave %	Within 1 month	1–3 months	3-12 months	1-5 years	Non interest bearing	Total
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
LIABILITIES							
Borrowings	3.73	2,000	25,492	-	-	-	27,492
Creditor accruals and settlement accounts	-	-	-	-	-	1,128	1,128
Deposits from other financial institutions	3.93	9,400	13,000	4,000	4,108	-	30,508
Deposits from members	2.46	28,226	14,054	16,360	-	-	58,640
Total financial liabilities		**39,626**	**52,546**	**20,360**	**4,108**	**1,128**	**117,768**

2013	Ave %	Within 1 month	1-3 months	3-12 months	1-5 years	Non interest bearing	Total
		$’000	**$’000**	**$’000**	**$’000**	**$’000**	**$’000**
ASSETS							
Cash	-	-	-	-	-	388	388
Receivables	-	-	-	-	-	505	505
Receivables from financial institutions	4.36	6,871	-	18,187	-		25,058
Loans & advances – mortgage	5.36	84,893	-	-	-	-	84,893
Loans & advances - personal	11.36	8,892	-	-	-	-	8,892
Loans & advances – other	10.7	113	-	-	-	-	113
Available for sale investments	-	-	-	-	-	142	142
Total financial assets		**100,769**	**-**	**18,187**	**-**	**1,035**	**119,991**
	Ave %	Within 1 month	1–3 months	3-12 months	1-5 years	Non interest bearing	Total
		$’000	**$’000**	**$’000**	**$’000**	**$’000**	**$’000**
LIABILITIES							
Borrowings	3.98	2,000	12,492	13,000			27,492
Creditor accruals and settlement accounts	-	-	-	-	-	1,294	1,294
Deposits from other financial institutions	5.51	4,000	9,000	7,508	-	-	20,508
Deposits from members	2.91	32,137	9,714	10,480	5,771	-	58,102
Total financial liabilities		**38,137**	**31,206**	**30,988**	**5,771**	**1,294**	**107,396**

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities. The values reported have not been adjusted for the changes in credit ratings of the assets.

	2014			2013		
	Fair value	Carrying Value	Variance	Fair value	Carrying Value	Variance
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL ASSETS						
Cash	675	675	-	388	388	-
Receivables	423	423	-	505	505	-
Receivables from financial institutions	24,454	24,454	-	25,059	25,059	-
Loans & advances – mortgage	98,258	98,258	-	84,893	84,893	-
Loans & advances - personal	7,262	7,262	-	8,892	8,892	-
Loans & advances – other	94	94	-	113	113	-
Available for sale investments	142	142	-	142	142	-
Total financial assets	**131,308**	**131,308**	**-**	**119,992**	**119,992**	**-**

	2014			2013		
	Fair value	Carrying Value	Variance	Fair value	Carrying Value	Variance
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
FINANCIAL LIABILITIES						
Borrowings	27,492	27,492	-	27,492	27,492	-
Creditors	1,121	1,121	-	1,294	1,294	-
Deposits from financial institutions	30,508	30,508	-	20,508	20,508	-
Deposits from members - Call	24,362	24,362	-	23,140	23,140	-
Deposits from members – Term	34,278	34,278	-	34,912	34,912	-
Total financial liabilities	**117,761**	**117,761**	**-**	**107,346**	**107,346**	**-**

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the statement of financial position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Credit Union on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Cash and liquid assets due from other financial institutions:
The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximates their fair value as they are short term in nature or are receivable on demand.

Loans and advances:
The majority of the Credit Union's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members:
The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the Statement of Financial Position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed deposits accepted by the Credit Union is 2 years.

The Credit Union has assessed its own credit risk in regards to the fair value of deposits, and assessed that no material valuation adjustment is required based on the capital management system utilised by the Credit Union as outlined at Note 20(e).

Short term borrowings:
The carrying amount approximates fair value because of their short term to maturity.

Long term borrowings:
The fair value of long term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Other financial liabilities:
This includes interest payable and trade and other payables for which the carrying amount is considered to be a reasonable approximation of fair value given their short term nature.

		2014 $'000	2013 $'000
29.	**FINANCIAL COMMITMENTS**		
a.	**Outstanding loan commitments**		
	The loans approved but not funded	7,181	6,917
b.	**Loan redraw facilities**		
	The loan redraw facilities available	25,351	22,408
	Total financial commitments	32,532	29,325
c.	**IT Expense commitments**		
	Costs committed under contracts relating to the ongoing support and maintenance of the Ultradata core banking system are as follows:		
	Not later than one year	280	268
	Later than 1 year but not 2 years	280	268
	Later than 2 years but not 5 years	163	427
		723	963
d.	**Lease expense commitments for operating leases on property occupied by the Credit Union**		
	Not later than 1 year	161	84
	Later than 1 year but not later than 5 years	582	140
		743	224

The operating leases are in respect of property used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The term lease is for 5 years and options for renewal are also for 5 year terms.

30. STANDBY BORROWING FACILITIES

The Credit Union has a borrowing facility with Credit Union Services Corporation (Australia) Limited (Cuscal) of:

	Gross $'000	Current Borrowings $'000	Net Available $'000
2014			
Loan facility	19,000	19,000	-
Overdraft facility	200	-	200
TOTAL BORROWING FACILITIES	19,200	19,000	200
2013			
Loan facility	19,000	19,000	-
Overdraft facility	200	-	200
TOTAL BORROWING FACILITIES	19,200	19,000	200

Borrowings under the loan facility are subject to the availability of funds at Cuscal.

Cuscal holds an equitable mortgage charge over all of the assets of the Credit Union as security against loan and overdraft amounts drawn under the facility arrangements.

The Credit Union has a borrowing facility with Bridges Financial Services (The Wholesale Trust – TWT) of:

	Gross $'000	Current Borrowings $'000	Net Available $'000
2014			
Loan facility	8,492	8,492	-
2013			
Loan facility	8,492	8,492	-

Borrowings under the loan facility are subject to the availability of funds at Bridges Financial Services.

31. CONTINGENT LIABILITIES

Liquidity support scheme
The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a Company limited by guarantee, established to provide financial support to member Credit Unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.2% of the total assets as deposits with an Australian ADI. Under the terms of the Industry Support Contract (ISC), the maximum call for each participating Credit Union would be 3.2% of the Credit Union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating Credit Union's irrevocable commitment under the ISC. At the balance date there were no loans issued under the arrangement.

Guarantees
The Credit Union has provided a guarantee to Cuscal to drawings made by members up to a limit of $400,000 per day, to enable Cuscal to settle the funds transferred by way of direct credit to other financial institutions. The guarantee is cancellable by either the Credit Union or Cuscal. Members are required to maintain sufficient funds in their account to settle the payments as and when required.

32. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

a. Remuneration of key management persons (KMP)

Key management persons are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any director (whether executive or otherwise) of that Credit Union. Control is the power to govern the financial and operating policies of a Credit Union so as to obtain benefits from its activities.

Key management persons (KMP) have been taken to comprise the directors and the four members of the management group responsible for the day to day financial and operational management of the Credit Union.

The aggregate Compensation of **key management persons** during the year comprising amounts paid or payable or provided for was as follows:

	2014 Directors	2014 Other KMP	2014 Total	2013 Directors	2013 Other KMP	2013 Total
	$'000	$'000	$'000	$'000	$'000	$'000
(a) short term employee benefits;	90	476	566	83	455	538
(b) Other long-term benefits – net increases in long service leave provision	-	34	34	-	20	20
TOTAL	90	510	600	83	475	558

In the above table, remuneration shown as short term benefits means (where applicable) **wages, salaries, superannuation, paid annual leave and paid sick leave** but excludes out of pocket expense reimbursements. All remuneration to directors was approved by the members at the previous Annual General Meeting of the Credit Union.

	2014 $'000	2013 $'000
b. Loans to and Deposits from Directors and other key Management Persons		
(i) The aggregate value of loans to directors and other KMP as at balance date amounted to:	2,022	2,192
(ii) During the year the aggregate value of loans disbursed to directors and other KMP amounted to:	-	889
(iii) Interest and other revenue earned on Loans and revolving credit facilities to KMP	126	74

The Credit Union's policy for lending to directors and management is that all loans are approved on the same terms and conditions which applied to members for each class of loan. There are no loans which are impaired in relation to the loan balances with director's or other KMPs.

	2014	2013
Total value term and savings deposits from KMP	264	1,135
Total Interest paid on deposits to KMP	12	60

The Credit Union's policy for receiving deposits from KMP is that all accounts are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

In accordance with the APS 330 Public Disclosure requirements, the credit union is required to include both qualitative disclosure and quantitative disclosures for senior managers and material risk-takers in the Regulatory Disclosure section on their website.

c. Transactions with Other Related Parties

Other transactions between related parties include deposits from and loans to director and other KMP related entities or close family members of directors and other KMP. The Credit Union's policy for receiving deposits from or approving loans to related parties is that all transactions are carried out on the same terms and conditions which applied to ordinary members.

The Credit Union has a service contract with Transaction Solutions Limited of which the Credit Union's General Manager is a Director. This contract is on normal commercial terms and conditions.

33. OUTSOURCING ARRANGEMENTS

The Credit Union has arrangements with other organisations to facilitate the supply of services to members:

a. Cuscal Limited

Cuscal is an Approved Deposit Taking Institution (ADI) registered under the Corporations Act 2001 and the Banking Act. This ADI:

(i) provides settlement with Bankers for ATM, EFT transactions, cheque transactions, direct entry transactions, as well as the production of redicards for use by members;

(ii) provides treasury and money market facilities to the Credit Union. The Credit Union has invested some of its liquid assets with the ADI to facilitate its cheque, direct entry and EFT clearing activities, and to comply with the Credit Union Liquidity Support Scheme requirements;

(iii) operates the computer network used to link Redicards operated through Reditellers and other approved ATM suppliers to the Credit Union's IT Systems.

b. Ultradata Australia Pty Limited

Provides and maintains the application software utilised by the Credit Union to deliver its banking services.

c. Transaction Solutions Pty Limited (TAS)

This entity operates the computer facility on which the Credit Union (along with many other Credit Unions) runs its core banking system. The Credit

Union has a management contract with TAS to supply computer support staff and services to meet the day to day needs of the Credit Union and compliance with the relevant Prudential Standards.

	Note	2014 $'000	2013 $'000
34. NOTES TO CASH FLOW STATEMENT			
a. Reconciliation of cash.			
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:			
Cash on hand	4	675	388
b. Reconciliation of cash from operations to accounting profit			
The net cash increase/(decrease) from operating activities is reconciled to the profit after tax			
Profit after income tax		951	1,068
Add (Deduct):			
Depreciation expense		98	112
Increase/(Decrease) in provision for employee entitlements		24	58
Increase/(Decrease) in provision for income tax		(11)	129
Increase/(Decrease) in payables		(145)	(238)
Increase/(Decrease) in interest payable		(26)	(143)
Decrease/(Increase) in receivables		82	24
Decrease/(Increase) in deferred tax assets		(19)	(12)
Net cash from revenue activities		954	998

Cash flows arising from the following activities are presented on a net basis in the Statement of Cash Flows:
(i) investor deposits to and withdrawals from deposit accounts and short term borrowings;
(ii) borrowings and repayments on loans, advances and other receivables; and
(iii) movements in investment securities.

35. SUBORDINATED DEBT

The Credit Union issued a Subordinated Debt Small Scale Offering on 18 December 2009. This subordinated debt issue is unsecured and has a maturity of 5 years with repayment due on 18 December 2014.

The debt carries interest payable quarterly of 4% per annum above the 90 day bank bill swap rate.

The subordinated debt qualifies as capital under APRA's capital adequacy prudential standards and remains subordinated to the rights of all other present and future creditors of the Credit Union in the event of liquidation of the Credit Union.

36. EVENTS SUBSEQUENT TO YEAR END

On 1 August 2014 the majority of the workers at Alcoa's Point Henry plant ceased work with the remainder of this work force as well as the Yennora workforce to finish up during December 2014.

The Board has planned for this eventuality for quite some time and although the financial performance of the credit union will be negatively impacted, the Board remains confident about the ongoing viability of the credit union, evidenced by a relatively strong financial performance in the first quarter of the 2014/15 financial year.

The first stage of Alcoa redundancies arising from the closure of the Alcoa Point Henry plant occurred in August, 2014 and this event has generated a material increase in deposit balances (with more expected at the end of 2014), but has not at this stage generated the level of loan balance reductions that were anticipated.

At the end of the 2014 calendar year, the Alcoa plants at Point Henry, Geelong and Yennora, Sydney will cease operations. This will require the relocation of our Point Henry and Yennora offices and will undoubtedly see a material reduction in loan balances as well as a material increase in deposit balances.

Other than the Alcoa closures, no matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Credit Union in subsequent financial years.

37. CORPORATE INFORMATION

The Credit Union is a company limited by shares, and is registered under the Corporations Act 2001.
The addresses of the principal places of business are:

Point Henry Rd, Geelong, VIC, 3220
Point Danger, Portland, VIC, 3305
Shop 13C Sutton Square Shopping Centre, Mandurah, WA, 6210
10 Nelson Rd, Yennora, NSW, 2161
34A Malop St, Geelong, VIC, 3220

The nature of the operations, and its principal activities are the provision of deposit taking facilities and loan facilities to the members of the Credit Union.