Summerland Credit Union
Annual Report 2014

In 2014 Summerland celebrates 50 years of serving local communities. Throughout the previous decades, Summerland has developed and grown while still keeping customers' needs at the heart of our business.

2014 Annual Report

Registered Office

101 Molesworth Street
Lismore NSW 2480

Telephone

1300 802 222

Directors

Nicolas Harrison	Chairman
Graeme Green	Vice Chairman
John Shanahan	
Graham Olrich	
Katrina Luckie	
Paul Spotswood	
Rebekka Battista	

Executive Team

Margot Sweeny	Chief Executive Officer
Sally-Anne Cumine	Chief Financial Officer
Donna Kildea	Head of Risk & Compliance
Andrew Tucker	Head of Sales

Legal counsel

Baker & McKenzie
Bright Law
COBA Legal
Daniels Bengtsson Pty Ltd
Maxwell & Co
Riley & Riley
Purcell Partners

Bankers

Australian Settlements Limited
Australia and New Zealand Banking Group Limited
National Australia Bank Limited
Cuscal Limited

Auditors

KPMG
Thomas Noble & Russell

Affiliations

Australasian Mutuals Institute
Credit Union Foundation Australia (CUFA)
CUFSS Limited
Customer Owned Banking Association (COBA)
The Australian Credit Union Historical Co-operative Ltd
World Council of Credit Unions

Acknowledgements

Summerland Credit Union Limited recognises the following organisations and individuals for the assistance they have provided on behalf of the Credit Union and its customers:

Our employer groups
Australian Prudential Regulation Authority (APRA)
Bridges Financial Services
CGU Insurance
Data Action Pty Ltd
First Data Corporation
Fellow credit unions, building societies and mutual banks

Chairman's Report

It is particularly pleasing to present this year's Annual Report as Summerland celebrates its 50th year.

Under the strategic direction of the Board and prudent management by the Executive, Summerland has achieved solid results during the year, performing efficiently within the customer owned banking industry.

Summerland's capital ratio has achieved the highest level in over 18 years, at 16.45%, and this improvement follows a solid focus on productivity and structure.

Net profit for the year, $3.4m, represents a strong position for Summerland from which to pursue plans for adding further value for our customers.

Impact of the Economic Environment

In response to market conditions the credit union's lending levels remained relatively stable throughout the year. Affecting this result were signs of confidence in the housing market which have emerged, however, this was tempered by difficult conditions appearing such as slower wage growth and higher unemployment, and their resulting impact on debt serviceability. As a result, any change in Summerland's lending risk appetite or relaxing of lending standards during the year was deemed inappropriate by the Board.

The need to strengthen defences around cyber security continued unabated and Summerland maintained focus on the strengthening of risk governance in this area on behalf of our customers.

Similarly, regulatory issues including the impact of prudential requirements on capital optimisation has been a continued focus across the business. As an Authorised Deposit-taking Institution (ADI), Summerland Credit Union has a broad framework of legislation and regulation with which it needs to comply. We are continually monitoring the regulatory environment and working to implement changes to ensure that we maintain compliance but still remain commercial as an organisation.

Board Focus

Customer experience will continue to be a fertile ground for differentiation for the credit union. This includes putting customers in greater control of their banking via the various electronic means now gaining greater acceptance.

A feature which has always been important for Summerland is that our branch staff play a critical role in engaging our customers. Positive experiences with staff are often more valuable than the level of rates or fees, as our high satisfaction rating shows. To develop this relationship even further, Summerland is progressing toward a unified digital and branch experience.

Summerland has continued to pursue innovation to help create strategic effectiveness for future endeavours. Engaging the youth demographic is a pressing issue, and Summerland continues to adopt measures and new technologies to attract and win over new, younger customers in order to ensure sustainable growth.

Ethics and Values

Summerland's ethical and community values are reflected through a strong commitment to sustainability. The Board and management believe that sustainability requires a holistic approach and must recognise the links between our environment, our economy and our communities.

For many years Summerland has combined responsible economic management with environmental management processes. In entrusting us with their financial assets, our customers know that their assets are not being used to actively damage or impact our environment.

The credit union's environmental credentials have held it in good stead with the citizens of the northern NSW region and there was some movement away from banks to join the credit union – clearly based on Summerland's values.

Our customers can be assured that the sustainability of their Summerland region is at the heart of our interests too.

To the management team and staff, I extend on behalf of the Board our appreciation for your ongoing commitment and support over the past year.

Finally, I extend my sincere thanks to my fellow Directors for their diligence and professionalism in the strategic and financial management of the credit union for another successful year.

Nicolas Harrison

Chairman

Chief Executive Officer's Report

It has been the continuing support from individuals, families, businesses and communities throughout the past five decades which has seen your credit union grow into the competitive banking alternative it is today.

The value of customer owned assets now stands in excess of $570m, and over the last decade alone the value of customer loans has increased by $314m and customer deposits have increased by $315m.

Sustainability

Summerland is now a recognised community leader in environmental sustainability. The initiatives undertaken over the past six years in resource efficiency, waste minimisation and stakeholder engagement have been progressively awarded higher standards of recognition in our partnership with the NSW government's Sustainability Advantage Program. The continuation of the environmental sustainability program within the organisation is envisaged over the long term, with specific sustainability goals within the strategic plan.

Younger Market

Attracting new members in the younger demographic continues to be a focus. Gains have been made in this area with 66% of the new members to Summerland in 2013/14 being aged 49 or younger.

Summerland has upheld its reputation for providing an excellent level of service as evident in its continued member satisfaction levels.

Improvements

For a better customer experience, Summerland has introduced our own ATMs throughout the branch network in the last 12 months, has launched a new iPhone app, and introduced a web chat facility on our website.

Technological developments are increasingly impacting every area of growth for the credit union, from innovation to operational efficiencies all aimed at improving our customers' banking experience. Our efforts in unifying mobile, online and branch channels in a more seamless fashion will further enhance the value our customers derive from banking with Summerland.

The Lismore flagship branch will undergo renovations early in the new year which will include the latest in technology.

Further efficiencies within the organisation were reached in staff performance and accountability, which has helped the credit union maintain total operating costs at a similar level for the past four years. Given Summerland's large branch network to size this is a solid achievement and a credit to the staff and members.

Community Value

As a customer-owned banking organisation, Summerland invests on behalf of our customers into building stronger communities.

Organisations and groups within the diverse areas of education, the environment, community facilities and support and international development have benefitted this year.

In 2013/14 Summerland returned $1.152m of value to our diverse communities. Of this, 3.2% of after tax profits went directly to support through sponsorships, scholarships, donations and mutuality dividends. As well, Summerland provided skill and expertise, equipment, plus assistance for not-for-profit organisations via fee rebates.

Banking on Football

Summerland's new brand has been growing support, with continued development during the year. Alliances have been forged with Football Federation Victoria, Newcastle Jets, Reagan Milstein Foundation, and Melbourne Victory Women's Football and the brand is becoming known Australia-wide. Additionally Banking on Football, through CUFA, has taught financial literacy, football and corporate citizenship to 1,600 children in Cambodia.

New Look

In conjunction with Summerland's 50th year, the logo was refreshed during the year to reflect a more contemporary style and bright colours. This has allowed the Summerland and Banking on Football brands to be more closely aligned.

SUMMERLAND

The uniqueness of the 'R' in SUMMERLAND helps signify and reinforce our message:

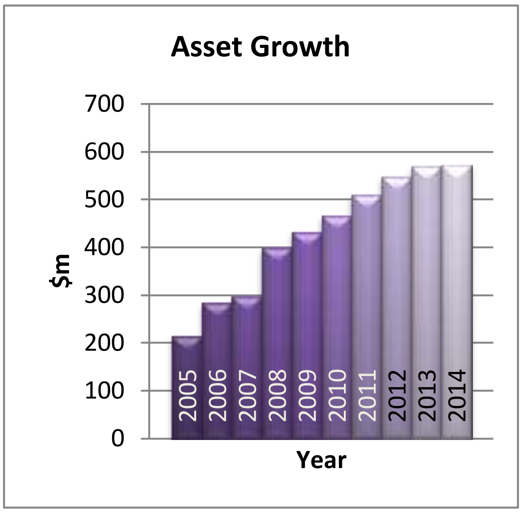
"We 'R' here for our customers, for our people and for our community."

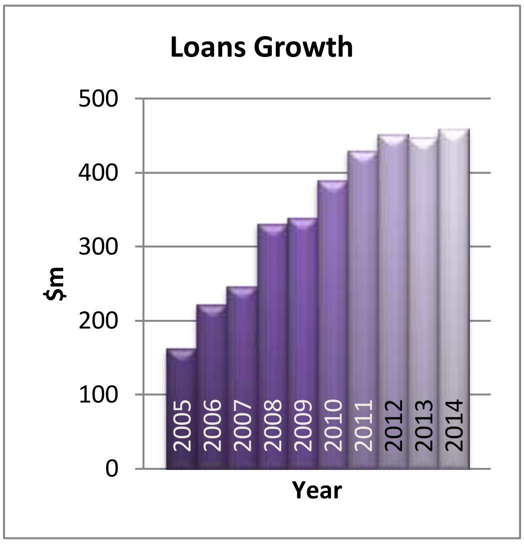
Indeed this message still resonates today as much as it did 50 years ago when the history of your credit union began.

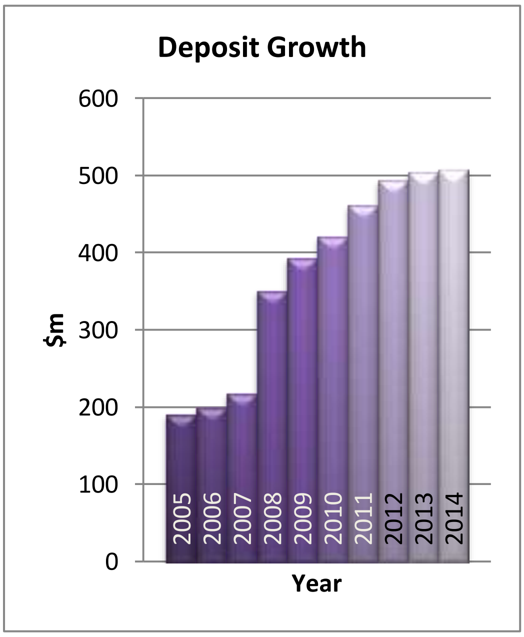
Margot Sweeny

Chief Executive Officer

2014 Financial Snapshot







Geographic Spread

Providing personal service, we have 13 conveniently located branches spread across the NSW North Coast and Southern Gold Coast, plus a fully staffed call centre in our Head Office at Lismore.

Summerland's customers are spread throughout more than 1,750 locations Australia wide.

2014 Sustainability Report

> *"Sustainability provides a way for us to achieve environmental, economic and social outcomes, without limiting resources for future generations."*

Summerland is a customer owned financial institution. As our customers are our owners, they and their communities must benefit from high service levels and ethical treatment through our delivery of financial services.

Our ethical and community values are reflected through a strong commitment to sustainability. We believe that sustainability requires a holistic approach and must recognise the links between our environment, our economy and our communities. In entrusting us with their financial assets, we combine our responsible economic management with strong environmental management processes. We want our customers to know that their assets are not being used to actively damage or impact our environment.

Our Sustainability Principles

Summerland uses the following principles to protect and enhance natural, social and human capital:

Natural Capital:	our practices endeavour to live off the earth's interest/resources that are renewable – not its core capital
Social Capital:	we act as a good corporate citizen that contributes in cash and in kind to local, national and international communities
Human Capital:	we support an engaged workforce and customer base and maintain good relations with our suppliers and stakeholders

Through our dedicated people and rigorous procedures we endeavour to meet or exceed high standards of service to our customers. Summerland's core business is retail banking. We also provide insurance, financial planning and other ancillary products through agreements with a number of other organisations.

This sustainability report is presented to be read in conjunction with the financial report.

Creating Customer Value

Guiding our business objectives are Summerland's Vision, Mission and Values.

Our Vision

To best serve our members

Our Mission

To be a community focused banking alternative providing quality lifestyle solutions

Our Values

1 COMMUNITY ENGAGEMENT
We strive to provide real benefits to our community by enhancing the social fabric of our region, providing employment and the distribution of financial and other assistance.

2 RESPECT
We actively practice non-discrimination, honesty and full disclosure as an employer, service provider and corporate citizen. We show loyalty and practical support to all members and staff.

3 EFFICIENCY
We continuously look for better ways to deliver value to our members and to ensure that systems, processes and services reflect the awareness that the business assets belong to the members.

4 SUSTAINABILITY
We have a strategic focus on developing the Credit Union in a sustainable manner; from a financial, business, social and environmental perspective.

5 TEAMWORK
We work collaboratively towards a common goal whilst caring for the needs of others.

Sustainable Growth

Value of customer owned assets

Growth of 11.7% (over $60m) in the last three years

$572m

Value of customer loans

Growth of 6.5% (over $28m) in the last three years

$459m

Value of customer deposits

Growth of 10% (over $46m) in the last three years

$508m

Customer owned reserves

An increase of $10m in the last three years. Summerland remains very secure with strong reserve growth

$47m

Return on average assets

Managing Summerland for performance on behalf of customers

0.61%

Average value of each customer's banking (deposits & loans)

$37.3k

Community investment

Investing on behalf of our customers into building stronger communities. Direct investment of 3.2% of after tax profit ($107k), and aiming for 5%

Total value of Summerland's assets invested in customer loans

+80%

Volume of total transactions by our customers which are done via electronic channels

+96%

Increase in customers conducting their banking online using internet banking in the last three years

+43%

Winner 2014 "Excellence in Sustainability" NSW Business Chamber Northern Rivers

1st

Increase in customers joining our new online banking brand, "Banking on Football", in the last 12 months

52%

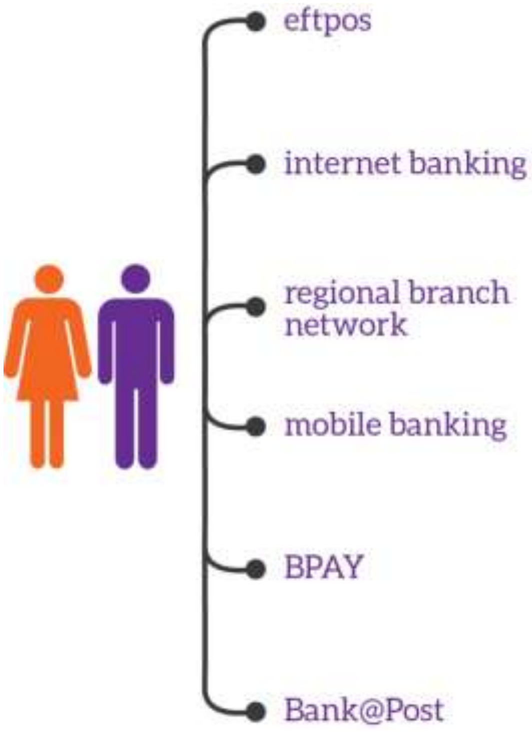
Customer Benefit

Customer service, safety and security

As an eligible Authorised Deposit-taking Institution, the Australian Government Financial Claims Scheme automatically applies to Summerland customers' deposits up to the Government-specified limit of $250,000.

Summerland is committed to ensuring our products and services are easily accessible, safe and secure.

Our customers can bank with Summerland no matter where they live in Australia using electronic means. Customers can also continue banking with Summerland while overseas.



During 2013-14 a transition to replace the rediATM arrangement with new Summerland ATMs occurred. This included national access to the Westpac ATM network for the benefit of customers.

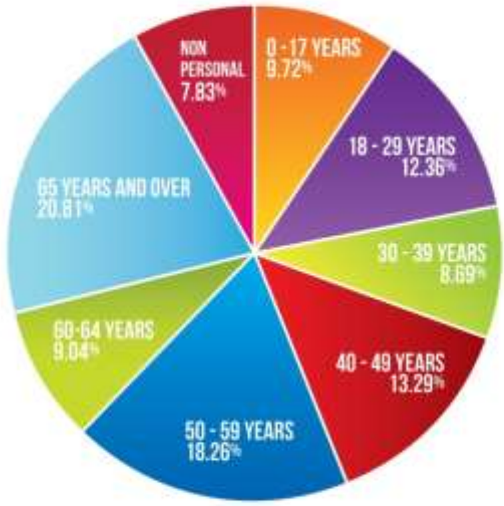
Summerland's branch network provides face-to-face service to all customers in a safe, friendly and comfortable environment. We also have an eBranch allowing customers a full branch service via phone and online.

Our branch staff are selected to provide outstanding service and receive ongoing training to enhance their skills. Staff are trained to deal with medical and security emergencies which may arise at a branch using comprehensive documented policies and procedures.

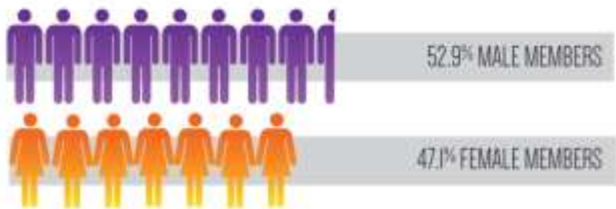
Engaged Customers

Customer Profile

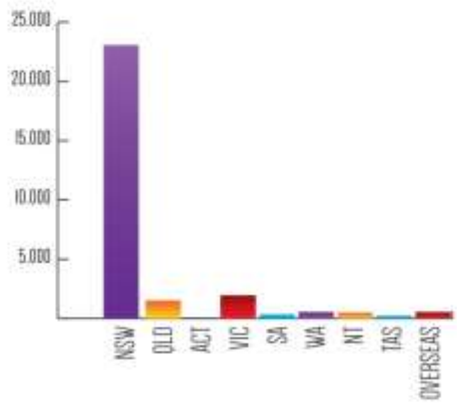
Age Profile



Gender Profile



Geographic Distribution



Customers as owners

Summerland is a community based customer-owned financial organisation. Our customers are members of the credit union and are also the owners of our business.

Our business decisions, all made locally, are made to benefit our customers and profits are returned to customers through fairer fees and improved service levels. Summerland aims to conduct its business in sustainable and responsible ways, and therefore also invests part of annual profit back into the credit union to ensure its strength and development.

Our branch staff are equipped as a point of contact for customers requiring information and assistance, including details on and at special events.

In all communications with customers we ensure that information about our products and services is readily available, well presented and written in plain language.

A customer newsletter "Summerland Lifestyle" is published every six months. Connections with customers also occur via:

- Our desktop and mobile websites
- Our internet and phone banking platforms
- Direct mail
- Personal contact from our eBranch, branches and Business Development Managers
- Email contact
- Our free seminar series

Fair and ethical

Summerland supports and promotes the principles of the Customer Owned Banking Code of Practice. The ten principles are:

- We will be fair and ethical in our dealings with you
- We will focus on our members
- We will give you clear information about our products and services
- We will be responsible lenders
- We will deliver high customer service and standards
- We will deal fairly with any complaints
- We will recognise customers' rights as owners
- We will comply with our legal and industry obligations
- We will recognise our impact on the wider community
- We will support and promote the Customer Owned Banking Code of Practice

Summerland includes a range of responsible banking features in its loan products, which encourages customers to make responsible choices when borrowing or investing. "*Summerland will aim to act in the best interests of the customer in relation to the advice we provide, even where we are not under a legal duty to do so. A customer who is given advice should be left in a better position than they were in before the advice was given.'*

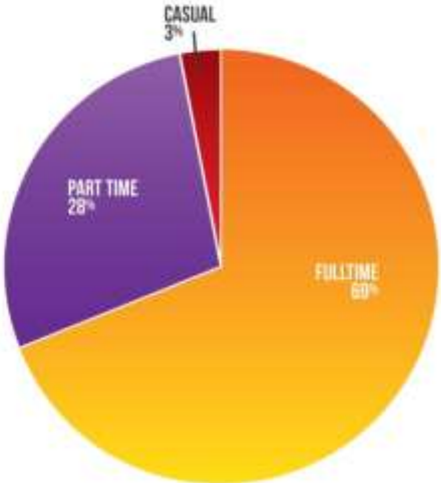
If customers experience financial difficulty we always work co-operatively and constructively to try to resolve any problems they have in meeting their financial commitments.

We comply with laws relating to the retention of customer personal information and actively promote awareness of security issues.

Engaged Staff

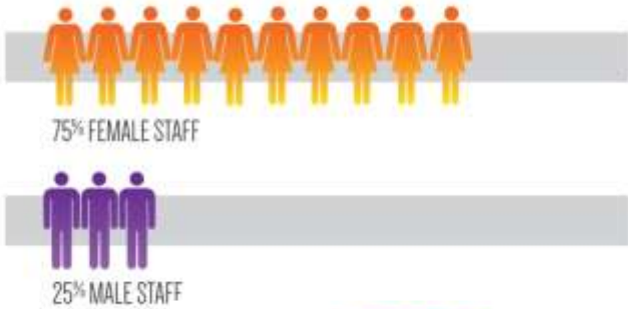
The benefit of the relationship Summerland has with its staff is reflected in productivity level and improved cost to income ratio, which directly contribute to customer value.

Employee profile

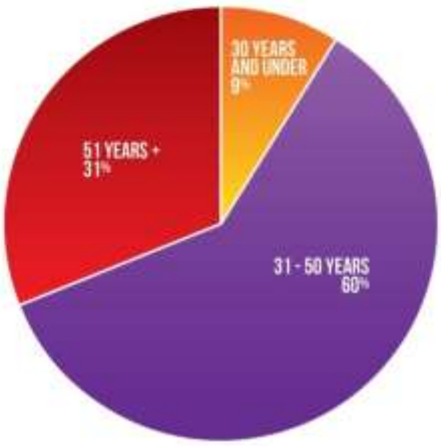


* Fulltime equivalent is 87

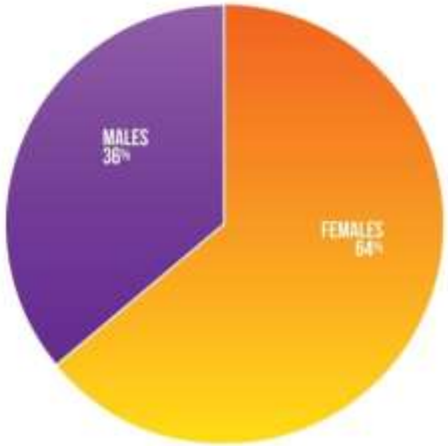
EMPLOYEE GENDER



EMPLOYEE AGE



EXECUTIVE AND SENIOR MANAGEMENT TEAM



Workplace health & safety (WH&S) committee

Summerland is committed to protecting the health, safety and wellbeing of all our employees. The application of workplace health and safety legislation is considered a minimum standard for the credit union, and best practice WHS is one of the essential elements of ensuring we manage our employees effectively.

As part of our WHS program we consult with our employees in implementing work safety practices and systems. Employee involvement and consultation at all levels is critical for ensuring a safe workplace.

The WHS representatives meet with management on a quarterly basis as the WHS committee.

The total number of workplace injuries resulting in workers compensation claims for 2013/14 was 1.

Learning and development

At Summerland we are committed to providing learning and development opportunities that allow our staff to develop the skills and knowledge they need to perform to the highest possible standard.

We also believe in supporting our leaders and have devoted efforts to developing people management skills for staff with leadership and coaching responsibilities.

Complementing our face-to-face training, we offer a comprehensive ongoing learning environment with both online and paper-based learning focusing on:

- Induction and orientation
- Products and systems
- Sales
- Compliance
- Leadership and management

Staff benefits

Beside the statutory benefits outlined in the *Banking, Finance & Insurance Award 2010* and industrial relations legislation, Summerland also provides the following benefits:

- Employee Assistance Program
- Flexible working arrangements
- Career breaks of up to twelve months unpaid leave
- Concessional interest rates
- Salary sacrificing
- Uniform allowance
- Incentive scheme for staff performance
- Subsidised wellness programs

Staff volunteering program

To support the communities in which we work, we have established a staff volunteering program. The program is designed to foster awareness amongst staff of the value of their skills, personal contributions and the need within the community to support understanding and acceptance. Staff are able to undertake volunteering without having to use their own leave entitlements.

Last financial year our staff participated in excess of 100 hours (during work time) of volunteering with staff also contributing a large number of hours in the evenings and on weekends.

Volunteer support has been provided for a variety of organisations including:

- Credit Union Foundation Australia
- St Vincent De Paul
- Young and Well Cooperative Research Centre
- Southern Cross University Council
- Summerland House With No Steps
- Bangalow Billy Cart Derby
- Ocean Shores Art Expo
- Tweed Shire Council Eco Day
- Brunswick Heads Marine Rescue
- Meals on Wheels
- Rotary clubs
- Lions clubs
- Local schools
- Local shows / show societies
- Surf Lifesaving Australia / local surf clubs
- Blood donation
- Various sporting groups

Workplace quality

Summerland provides an environment where employees and others in the workplace are treated fairly and with respect, and are free from discrimination, harassment, vilification and victimisation.

All employees are respected regardless of their age, gender, race, religion, marital status, pregnancy and need to breast feed, sexuality, ideology, family commitments and physical or mental impairments.

This commitment is supported by Summerland's human resources policies such as

- Equal Employment Opportunity
- Workplace Health & Safety
- Work-life Balance
- Code of Conduct
- Whistleblowing Policies

Summerland takes a zero tolerance stance on workplace bullying.

Summerland submits an annual report to the Workplace Gender Equality Agency (WGEA) detailing actions taken in the previous twelve months to enhance access to equal opportunities at work.

Supporting human rights

Summerland is a Gold Supporter of Credit Union Foundation Australia (CUFA), an organisation which works to help poor communities in the Asia Pacific region access affordable financial services and improve their livelihoods. Summerland is also one of the founding members of CUFA Ltd and Summerland's CEO, Margot Sweeny, has been the Chair of CUFA for the past four years.

2013/14 has been another successful year for CUFA, with more than 4 million people reached through their work. Some of the key highlights of the year are:

- First year as an independent entity after being a subsidiary organisation for over 40 years
- Gained registration in Myanmar, allowing furthering of operations
- Supported 21 financial cooperatives in Cambodia as part of the Credit Union Development project, with tremendous increases in savings and members, 664% and 311% respectively
- Delivered technical assistance to six Pacific Island countries and credit union movements, in areas where an estimated 70% of Pacific Islanders do not have access to basic financial services; assisting them to build their operational capacity and implement new systems and processes to help them operate their credit unions more efficiently and effectively
- Participation of 11 Pacific Island countries in the Pacific Credit Union Technical Congress in Nadi, Fiji; where delegates came together to learn and discuss the credit union movements in each country
- Taught 12,248 children in Cambodia how to save and manage their money through the Children's Financial Literacy program, helping more than 7,000 students to increase their savings this year
- Engaged with a greater number of Community Investors to support more Village Entrepreneurs and their small businesses in Timor-Leste and Cambodia, with the average family increasing their income by 38% over the past year
- Over the last 12 months fundraising has occurred to send one Summerland staff member to Cambodia, to assist in the financial literacy program run by CUFA, with over $8,000 raised by Summerland staff

Community Benefit

Contributing to the community is a major focus of credit unions and of Summerland in particular. Summerland provides funds directly to various organisations, supplies equipment free of charge, and donates valuable staff skills and time which is utilised by community groups.

In 2013/14 Summerland provided direct investment of 3.2% of after tax profit ($107k), and is aiming for 5% in the future.

Summerland is a founding scholarship provider of the Southern Cross University's *Rising Star Scholarship Program*. The scholarship gives financial assistance to recipients, allowing them to concentrate on their studies. Currently, there are four recipients completing degree studies at the university.

The Random Acts of Kindness program has been running for several years, and in that time the credit union has responded with assistance for people who find that life has thrown them a predicament. Assistance has been in the form of either goods or financial assistance.

Management and staff at Summerland assist a range of community organisations by donating their time and serving on the executive of a range of sporting, and community groups. Some of these include Toastmasters, NSW

Business Chamber, Southern Cross University Council, Credit Union Foundation Australia and the Northern Rivers Conservatorium.

Community accounts are provided to community organisations free of monthly membership fees.

Summerland's Cash4Clubs and Cash4aCause Community Donation Programs provide an opportunity for Clubs or Not for Profit organisations to generate funding as their relationship with Summerland develops over time.

Community and sporting groups are assisted by Summerland providing marquees for use at their many outdoor carnivals and events. A range of promotional items are also provided to clubs and groups to assist in their fundraising, festivals and events.

Summerland provides opportunities for businesses to display their organisation or club in our branches through our Business Boost Program.

Summerland, through our Banking on Football brand, was able to provide direct and indirect support to a number of football clubs and organisations within NSW and Victoria.

Environmental Benefit

> *"The credit union's values and strategic direction commit us to leadership and continuous improvement in environmental sustainability."*

Summerland continued to partner with the NSW Office of Environment & Heritage in the Sustainability Advantage Program. Progress has been consistent in: integrating environmental strategies with business planning; using resources more efficiently; engaging staff to become an employer of choice; enhancing customer, supplier and community relationships; measuring and managing our carbon footprint; managing environmental risk and ensuring compliance.

The credit union achieved further recognition in this program in September 2013, gaining Silver Partner status.

To achieve this level of government recognition, Summerland has:

- Demonstrated leadership and commitment to sustainability
- Established planning and management systems for environmental practice, including processes for continuous improvement
- Demonstrated engagement by promoting sustainability activity. Internally this includes involving staff, and externally, involving suppliers, customers and industry
- Demonstrated environmental outcomes each year since 2008

Summerland will continue in this program toward the next level of recognition in environmental best practice, being Gold Partner Status.

Benefits for our customers flow from specific purpose ECO loan products which have discounted interest rates and establishment fees for our customers. For every ECO loan established a donation is made by Summerland toward an environmentally focused organisation.

We have an annual environmental sustainability month where there is activity to highlight our environmental sustainability program so that staff learn how to contribute to environmental initiatives in the workplace and how they can implement environmental sustainability practices at home. The focus over the last few years has been encouraging staff to move customers away from paper statements to e-statements, identifying ways to reuse paper in their offices and ways of reducing paper and power usage.

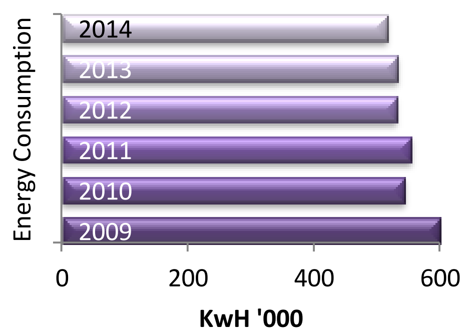
The changes achieved against our benchmarks in power, fuel, air travel, paper, toner and waste management contributed to cost to income improvements in 2013/14.

Energy consumption

ELECTRICITY

In 2013/14 Summerland used a total of 516,795 KwH of electricity (5,838 KwH per Full Time Employee) which was a reduction of 3% from the previous year. Currently, all our electricity comes from non-renewable sources.

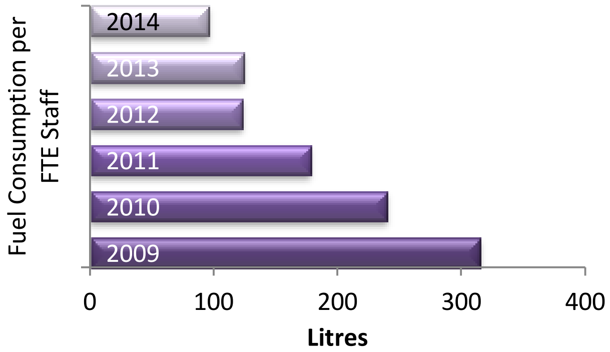
Equipment due for replacement is updated with current standard energy efficiency selection criteria. LED based lighting is progressively replacing higher energy halogen and fluorescent lighting in Head Office and branches. Sensor controlled lighting was also installed in Head Office.



Vehicles

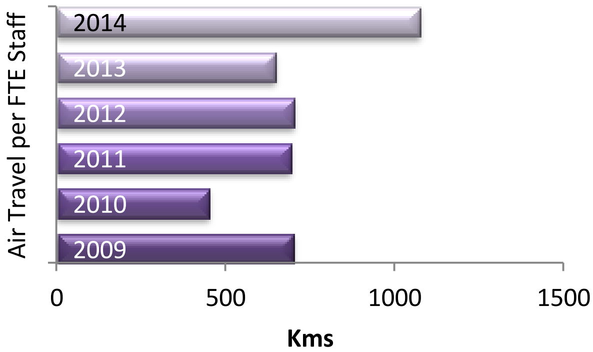
The corporate vehicle fleet used 8,460 litres of fuel. This equated to 96 litres per Full Time Employee (FTE), a reduction of 26.14% per FTE from the previous year.

All corporate fleet vehicles are now more fuel efficient hybrid or diesel vehicles.



Air Travel

Business travel by air in 2013/14 consisted of flights covering 95,079 kms, which equated to 1,074 kms per FTE. This was an increase of 54% per FTE and was indicative of the increased level of business activity generated from the Banking on Football brand in a greater geographical spread throughout Australia.



Materials

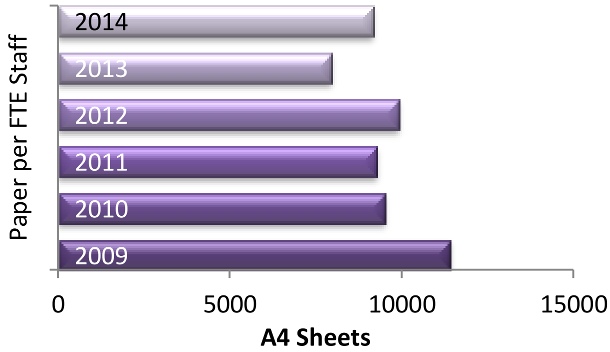
Paper

Efficiencies in paper usage continue to be encouraged through the use of electronic copies of statements and newsletters to customers, plus internal committee reports and Board reports. Summerland customers utilising digital copies of statements via internet banking in 2013/14 was 22.9% of total membership. As a result paper statement usage was reduced by 22.6%.

50.9% of our customer base has elected to use our electronic channel for Internet Banking.

Total paper usage for the 2013/14 year (including paper statements to customers) was 9,162 sheets of normal copy paper per FTE staff member. This was a 7% increase on the previous year.

A rise in toner usage for printing occurred in 2013/14 with an 18% increase per FTE. Summerland prints much of its marketing collateral inhouse, and with increased marketing activity toner usage also rose.



2014 Financial Report

Directors' 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 the end of the year are:

Nicolas Harrison

B.A, LL.B, AFAMI, MAICD, AIMM

Director since 2003
Chairman since 2008
Chair, Executive Committee
Member, Nominations Committee
Member, Governance Committee

Nicolas Harrison is a Barrister-at-law and a member of the Lismore City Council Conduct Review Committee.

He is a former Deputy Senior Crown Prosecutor and a Councillor of the NSW Law Society. He is also a Casual lecturer in law at Southern Cross University.

John Shanahan

M.Com (Hons), FCA, MAICD, FCPA, SF Fin

Director since 2008
Member, Executive Committee
Chair, Audit and Risk Committee
Member, Governance Committee

John Shanahan is a recognised expert on financial reporting issues and the author of the textbooks Guide to Accounting Standards and Guide to Accounting Regulation.

He has conducted training courses and seminars for many national and state organisations including ASIC, the ASX, CPA Australia, the Institute of Chartered Accountants, the Securities Institute and the Federal Judicial Commission.

Graeme Green

Dip FS, FAMI

Director since 2008
Vice Chairman
Member, Executive Committee
Member, Audit & Risk Committee

Graeme Green has had 36 years of credit union experience, including 27 years as a Credit Union Chief Executive Officer and 3 years in a CU Senior Management role. He has served on numerous management boards and working committees within the credit union industry for many years.

Graeme has completed two terms on the Summerland Board as Vice Chairman and is looking forward to continuing to serve the customers for another term.

Graham Olrich

Dip FS, Dip FS CUD, FAICD, FAMI

Director since 2010
Member, Audit and Risk Committee
Chair, Governance Committee
Member, Horizons Committee

Graham Olrich currently runs his own management consultancy company.

He has had a distinguished career in banking including credit union executive and senior management experience.

He has held the top position in Australia's largest credit union; is the CEO of the Australasian Mutuals Institute; and is also on the Board of Community Mutual Ltd.

Paul Spotswood

B.Ec

Director since 2010
Chair, Horizons Committee

Paul Spotswood is currently General Manager, Community Publishing for APN Australian Regional Media across Northern New South Wales. Until recently Paul was the General Manager of the Northern Star.

He has also held General Manager positions with the Daily Mercury in Mackay and the Coffs Coast Advocate, which are part of the network of APN newspapers. Paul is also on the advisory council of the NSW Business Chamber Northern Rivers.

Katrina Luckie

B.App Sc (Hons), B.App Sc (Coastal Management), MAMI, MEAINZ, MAICD

Director since 2010
Member, Audit & Risk Committee

Katrina Luckie is the former CEO of Regional Development Australia-Northern Rivers, and former Executive Director of the Northern Rivers Regional Development Board.

She has an extensive background in developing regional strategy and environmental planning on the North Coast of NSW and a strong interest in social justice issues.

Margot Sweeny

MEc, BBus, CPA, SA Fin, FAMI, MACS CT

Chief Executive Officer since 1999
Company Secretary since 1999

Margot Sweeny is an active community member and public speaker. Her community positions include: Member of Southern Cross University Council; Chair of the Southern Cross University Finance Committee; Chair of Credit Union Foundation Australia (CUFA), being the development agency for the Australian Credit Union Movement; Director of Customer Owned Banking Association (COBA), the peak industry body for Australian mutual banks, credit unions and mutual building societies.

Margot is also the patron of the Friends of the Koala Inc in the Far North Coast of NSW.

Rebekka Battista

Director since 2011
Member, Horizons Committee

Rebekka Battista is an active community member and public speaker. She is the Coordinator for fundraising activities for Our Kids, a charity aimed at improving the health services for children in the Northern Rivers Area.

She is a Board member of the Northern Rivers Community Cancer Foundation and also has many years of experience as a small business proprietor in the hospitality industry.

Director’s meeting attendance

Director	Board of Directors		Audit & Risk Committee		Governance Committee		Horizons Committee	
	E	A	E	A	E	A	E	A
Nicolas Harrison	7	7			5	5		
Graeme Green	7	6	4	3				
John Shanahan	7	6	4	4	5	5		
Graham Olrich	7	7	4	4	5	5	3	3
Katrina Luckie	7	7	4	3				
Paul Spotswood	7	7					3	3
Rebekka Battista	7	7					3	3

E = Eligible to Attend   A = Attended

Directors’ benefits

No Director has received or become entitled to receive, during or since the financial year, a benefit because of a contract made by the credit union, a subsidiary, or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 7 of the Financial Report.

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 proceeding arising out of their conduct while 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 customers in the form of taking deposits and giving financial accommodation as prescribed by the credit union Constitution.

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

Operating results

The net profit of the credit union for the year after providing for income tax was $3.4m (2013: $2.9m).

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 credit union's operations, being focused on the provision of financial services to its customers, did not change from the previous year.

Significant changes in state of affairs

There were no significant changes in the state of the affairs of the credit union during the year.

Events occurring after balance date

No other matters or circumstances have 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.

Environmental regulations

All activities have been undertaken in compliance with environmental regulations that apply to credit unions.

Likely developments and results

No other matter, circumstance or likely development 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
(iii) The state of affairs of the credit union

in the financial years subsequent to this financial year.

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. The credit union is permitted to round to the nearest one thousand ($'000) for all amounts except prescribed disclosures that are shown in whole dollars.

Auditors' independence

The auditor has provided the following declaration of independence to the Board as prescribed by the Corporations Act 2001.

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

LEAD AUDITOR'S INDEPENDENCE DECLARATION

TO THE BOARD OF DIRECTORS OF

SUMMERLAND CREDIT UNION LIMITED

This declaration is made in connection with the audit of the financial report of Summerland Credit Union Limited for the year ended 30 June 2014 and in accordance with the provisions of the Corporations Act 2001.

I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to this audit; and
- No contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to this audit.

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

A J Bradfield (Partner)
Registered Company Auditor

Lismore 17 September 2014

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Audit and Assurance +61 (0)2 6626 3000

Corporate Governance Disclosures

Corporate governance

Corporate governance describes the practices and processes adopted by an organisation to ensure sound management of the organisation within the legal framework under which it operates.

The key principles are:

- Accountability
- Disclosure
- Transparency
- Independence

Summerland Credit Union Limited is an Authorised Deposit-taking Institution (ADI) supervised by the Australian Prudential Regulation Authority (APRA) under the Banking Act 1959. The credit union is also supervised by the Australian Securities and Investment Commission (ASIC) under the Corporations Act 2001.

Framework

Directors and management are committed to high standards of corporate governance and continue to apply principles of good corporate governance as recommended by the Australian Stock Exchange Corporate Governance Council.

Board of directors

The Board's primary role is to protect and enhance long-term member value.

To fulfil this role, the Board is responsible for the overall corporate governance of the credit union including the following:

- Providing strategic direction and adopting a corporate strategy
- Identifying and monitoring the principal risks of the credit union's business
- Monitoring the conduct and overall performance of the credit union and of senior management
- Appointing and appraising the Chief Executive Officer and ensuring there are adequate plans and procedures for succession
- Monitoring policies and procedures in place to ensure the credit union's operations are conducted in an open, honest and ethical manner

To assist in this process the Board has established a number of key committees, each with its own terms of reference. They are:

- Board Audit and Risk Committee
- Governance Committee
- Risk Management Committee
- Horizons Committee

The full Board currently holds eight scheduled meetings each year in addition to planning meetings and any extraordinary meetings that may be required from time to time.

To assist the Board governance process, the Board has adopted a Code of Conduct and a clear statement of responsibilities between the Directors and the Chief Executive Officer.

Board audit and risk committee

The Board has established an Audit and Risk Committee that consists of four Directors. Members of the committee are appointed annually following the Annual General Meeting (AGM). The members of the committee as at the date of this annual financial report are:

- John Shanahan (Chairman)
- Graham Olrich
- Katrina Luckie
- Graeme Green

The principal responsibilities of the Committee are to assist the Board of Directors in fulfilling its responsibilities in relation to the credit union's corporate governance framework and the identification of areas of significant risks, by way of monitoring the following areas:

- Compliance with prudential and statutory requirements
- Maintenance of an effective and efficient internal and external audit programme
- Management and external reporting
- Effective management of business risks

The committee also provides recommendations to the Board on the appointment of internal and external auditors, independence assessment of auditor performance and the level of audit fees.

The Board has overall responsibility for the appropriate reporting of the credit union's results. In order to effectively carry out this function, the committee monitors the effectiveness of the credit union's systems and internal financial controls and regularly meets with the internal and external auditors.

Risk management committee

The Risk Management Committee, which reports to Board, has the responsibility for the assessment and management of risks affecting key areas of credit union operations. The aim of the committee is to identify, analyse, treat, monitor and communicate information gathered for the benefit of the credit union and its customers.

The main risks within the credit union's operations fall broadly into the following categories:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk
- Strategic risk

The committee, which meets at least eight times a year, comprises:

- Director representative (on a rotating basis)
- Chief Executive Officer
- Chief Financial Officer
- Head of Risk and Compliance
- Head of Sales
- Credit Risk Manager

From each meeting a report is compiled and presented to Board summarising actions to be taken and recommendations for Board approval.

Governance committee

The responsibilities of the Governance Committee are to:

- Make annual recommendations to the Board on the remuneration of the CEO and senior management of the credit union, as required by (Australian Prudential Standard) APS 510 Governance
- Coordinate the Board of Directors and the CEO performance assessment process
- Develop training needs analysis for the Directors
- Complete succession planning for the Board
- Oversee the Board Nomination process as required in APS 520 Fit and Proper

The committee, which meets as required, comprises:

- Graham Olrich (Chairman)
- Nicolas Harrison
- John Shanahan

Horizons committee

The responsibility of the Horizons Committee is to make recommendations to the Board about the strategic direction of the credit union.

The committee, which meets as required, comprises:

- Paul Spotswood (Chairman)
- Graham Olrich
- Rebekka Battista
- Chief Executive Officer
- Chief Financial Officer
- Head of Risk and Compliance
- Head of Sales

Composition of the Board

The composition of the Board is determined in accordance with the Constitution of the credit union which specifies that the Board shall comprise a minimum of five member elected Directors and a maximum of eight Directors with a term of office of three years.

Currently the Board is comprised of independent non-executive Directors, meaning each Director is not a member of management or staff.

As the credit union is a customer-owned organisation, Directors must also be customers. Members elect Directors by way of a ballot at the Annual General Meeting (AGM). In the event of a casual vacancy the Board may appoint a replacement; however this Director is subject to re-election at the following AGM. The Constitution allows for the appointment of up to two appointed Directors. We currently have two appointed Directors to the credit union, being Mr John Shanahan and Mr Graham Olrich.

The names of the Directors of the credit union in office at the date of this statement are set out in the Directors' Report.

Casual vacancy

The Board may appoint a person, who is eligible under Rule 13.4 of the Constitution to be a Director, if a Director's office becomes vacant or if the Board wishes to appoint the maximum number of Directors, which is not more than eight Directors.

a) A person appointed to fill a casual vacancy under Rule 13.4 shall be treated, for the purpose of determining the time at which that person is to retire, as if that person had become a Director on the day on which the person in whose place that person is appointed was last elected a Director.

b) A person appointed to fill a casual vacancy under Rule 13.4 must be endorsed by a resolution of members at the next Annual General Meeting and is taken to have retired by rotation at that meeting if endorsement is not given.

Board responsibilities

As the Board acts on behalf of the members and is accountable to the members, the Board seeks to identify the expectations of the members, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the credit union is delegated by the Board to the Chief Executive Officer and the Executive team. The Board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Chief Executive Officer and the Executive team.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved.

Strategic planning

The Board approves the Strategic Plan, which encompasses the credit union's vision, mission and strategy statements, designed to meet customer needs and manage business risks. The Strategic Plan is a dynamic document and the Board is actively involved in developing and approving initiatives and strategies designed to ensure the continued growth and success of the credit union.

As part of the strategic planning process the Board develops a Risk Appetite Assessment which provides a framework on the level of risk they will accept for the credit union.

Operating plans and budgets

Implementation of operating plans and budgets by Management and Board monitoring of progress against budget includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes.

Board remuneration

The Board receives remuneration from the credit union in the form of allowances which is agreed to each year at the AGM. They are also reimbursed for any out of pocket expenses.

Fee concessions are available to both credit union employees and directors on deposit accounts. Directors are not eligible for interest rate concessions.

There are no other benefits received by the Directors from the credit union.

Independent professional advice

Procedures exist to allow the Board, in the furtherance of their duties, to seek independent professional advice at the credit union's expense.

Each Director has the right of access to all relevant information and to the credit union's management and, subject to prior consultation with the Chairman, may seek to have independent professional advice received by the Director made available to all other members of the Board.

Board assessment

The Board has adopted an assessment program, which consists of an assessment every three years by an external expert. For the other years, an internal assessment is completed by each Board member which includes a self-evaluation for individual Directors using a questionnaire and a Board performance review based on the essential criteria for the effective governance of the credit union.

Disclosure of information

The credit union has an objective of honest and open disclosure in dealing with stakeholders, subject to appropriate commercial considerations associated with competitive and sensitive information.

Monitoring

The performance of the credit union is monitored on a monthly basis via annual operating and capital budgets as established by relevant senior management and approved by the Board.

Internal Audit is also used extensively to ensure internal controls are monitored, particularly in relation to areas of greatest risk as identified by the credit union's annual risk assessment.

External Audit review and test the internal controls to the extent necessary for an opinion on the financial report.

Ethics and code of conduct

The credit union's Codes of Conduct are based on the principle that all the credit union's business affairs will be conducted legally, ethically and with strict observance of the highest standards of integrity. They provide guidance on how to resolve uncertainties and how to deal with suspected breaches of the codes by others. In addition, a Fit and Proper assessment of all Directors and Senior Management is performed on an annual basis. The Director assessments are also examined by the Board Nomination Committee comprised of two external independent members and one Director representative.

Workplace health and safety (WH&S)

WH&S policies have been established for the protection of customers and staff and are reviewed annually. The WH&S committee which is comprised of both management and staff elected representatives meet on a quarterly basis to assess reports received and ensure corrective action is taken where necessary. Secure cash handling procedures and policies are in place and the credit union, as required, engages the services of an industry specialist to provide guidance on best practice in this area. In addition, all staff have access to counsellors where required following an incident which has impaired their feelings of safety within the workplace.

Conflict of interest

The Board is committed to the avoidance of any conflict of interest in the operation of the credit union.

In accordance with the Corporations Act 2001 and the credit union's Constitution, Directors must keep the Board advised of any interest that could potentially conflict with the interests of the credit union. The Board has developed guidelines to assist Directors in disclosing potential conflicts of interest.

Transactions between Directors and the credit union are subject to the same terms and conditions that apply to customers. Details of Director related entity transactions with the credit union are set out in Note 7.

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:

Mr Nicolas Harrison	***Mr Graeme Green***
Chairman	*Vice Chairman*

Lismore 17 September 2014

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		$'000	$'000
REVENUE			
Interest income	2	29,193	32,972
Interest expense	2	(15,668)	(20,162)
NET INTEREST INCOME		13,525	12,810
Non-interest income	3	4,783	4,772
EXPENSES			
Impairment expense	13	(182)	(360)
Employee benefits expense	4	(6,625)	(6,404)
Occupancy expense	4	(551)	(588)
Depreciation and amortisation expense	4	(632)	(780)
Other expenses	4	(5,561)	(5,348)
PROFIT BEFORE INCOME TAX		4,757	4,102
Income tax expense	5	(1,407)	(1,210)
PROFIT FOR THE YEAR		3,350	2,892
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		37	51
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		(18)	(20)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		19	31
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,369	2,923
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE CREDIT UNION		3,369	2,923

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

AS AT 30 JUNE 2014

	Note	2014	2013
		$'000	$'000
ASSETS			
Cash and cash equivalents	8	20,404	28,724
Trade and other receivables	9	2,844	2,448
Other assets	10	472	350
Financial assets held to maturity	11	78,672	78,981
Financial assets available for sale	12	1	1
Loans and advances	13	457,864	448,300
Property, plant and equipment	15	4,197	4,187
Investment property	16	5,506	5,426
Deferred tax assets	17	799	750
Intangible assets	18	785	901
TOTAL ASSETS		571,544	570,068
LIABILITIES			
Deposits	19	508,114	505,434
Trade and other payables	20	9,920	13,722
Derivatives	14	14	67
Current tax liability	21	572	28
Deferred tax liabilities	22	758	750
Provisions	23	688	608
Borrowings	24	4,410	5,760
TOTAL LIABILITIES		524,476	526,369
NET ASSETS		47,068	43,699
MEMBERS EQUITY			
Redeemable preference share capital account	25	451	430
Reserves	26	6,576	6,557
Retained earnings		40,041	36,712
TOTAL MEMBERS EQUITY		47,068	43,699

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

	Redeemable Preference Share Capital Account	General Reserve	Capital Profits Reserve	Hedging Reserve	Reserve for Credit Losses	Asset Revaluation Surplus	Retained Earnings	Total Members Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
BALANCE AT 1 JULY 2012	409	1,376	860	(97)	1,939	2,517	33,772	40,776
Profit for the year	-	-	-	-	-	-	2,892	2,892
Other comprehensive income	-	-	-	51	-	(20)	-	31
Transfers to / from retained earnings:								
- Redeemable preference share account	21	-	-	-	-	-	(21)	-
- Reserve for credit losses	-	-	-	-	(69)	-	69	-
BALANCE AT 30 JUNE 2013	430	1,376	860	(46)	1,870	2,497	36,712	43,699
BALANCE AT 1 JULY 2013	430	1,376	860	(46)	1,870	2,497	36,712	43,699
Profit for the year	-	-	-	-	-	-	3,350	3,350
Other comprehensive income	-	-	-	37	-	(18)	-	19
Transfers to / from retained earnings:								
- Redeemable preference share account	21	-	-	-	-	-	(21)	-
- Reserve for credit losses	-	-	-	-	-	-	-	-
BALANCE AT 30 JUNE 2014	451	1,376	860	(9)	1,870	2,479	40,041	47,068

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		29,227	33,138
Other income		4,647	3,541
Interest paid		(16,820)	(19,416)
Payments to suppliers and employees		(15,813)	(7,087)
Movement in operating assets and liabilities			
Net movement in loans		(9,677)	3,708
Net movement in deposits		2,680	11,066
		6,997	14,774
Income taxes paid		(904)	(1,400)
Net cash provided by operating activities	34 (c)	(6,660)	23,550
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		310	(21,116)
Payment for property, plant and equipment		(468)	(247)
Payment for intangibles		(134)	(256)
Proceeds - sale of non-current assets		(18)	(20)
Net cash used in investing activities		(310)	(21,639)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		(1,350)	1,300
Net cash provided by financing activities		(1,350)	1,300
Net increase in cash and cash equivalents held		(8,320)	3,211
Cash and cash equivalents at the beginning of the financial year		28,724	25,513
Cash and cash equivalents at the end of the financial year	34 (a)	20,404	28,724

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2014

NOTE 1

Statement of Significant Accounting Policies

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Summerland Credit Union Limited is a public company limited by shares, incorporated and domiciled in Australia. The nature of the credit union's operations and principal activities are disclosed in the Directors' Report. The credit union is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Basis of preparation

Australian Accounting Standards set out accounting policies that the Australian Accounting Standards Board (AASB) has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes information comply with International Financial Reporting Standards.

Except for cash flow information, this financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of land and buildings, and certain financial assets and financial liabilities for which the fair value basis of accounting has been applied. The balance sheet has been prepared in order of liquidity.

Significant accounting policies

The following is a summary of the material accounting policies adopted by the credit union in the preparation of the financial report. Except where stated, the accounting policies have been consistently applied.

(a) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or substantially enacted at balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the credit union will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) Financial Instruments recognition and Measurement

Financial assets and financial liabilities are recognised when the credit union becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the credit union commits itself to either purchase or sell the asset (i.e. trade date accounting).

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified as at 'fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Financial assets are de-recognised when the contractual rights to the cashflows from the asset expires. Financial liabilities are de-recognised when the contractual obligations are discharged or cancelled or when they expire.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances held in Authorised Deposit-taking Institutions (ADIs).

Cash and cash equivalents are carried at cost which is equal to fair value in the balance sheet.

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the credit union's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(e) Loans and advances

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the credit union does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except when the credit union chooses to carry the loans and advances at fair value through profit or loss.

(f) Equity investments

Investments in shares are classified as available for sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading. Investments in shares not listed on the stock exchange or, which do not have a ready market or are not capable of being readily valued, are recorded at the lower of cost or recoverable amount.

(g) Deposits

Deposits are measured at the aggregated amount of money owing to depositors.

Interest on deposits is brought to account on an accrual basis. Interest accrued at balance date is shown as a part of payables.

(h) Borrowings and subordinated debt

Borrowings and subordinated debt are initially measured at fair value plus transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the credit union chooses to carry the liabilities at fair value through profit or loss.

(i) Revenue

Loan Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the loan accounts on the last day of each month.

Non-Accrual Loan Interest

Loan interest is not brought to account if a loan is classified as non-accrual or generally if a loan has been transferred to a debt collection agency or a judgement has been obtained. However accrued interest may be recovered as part of the recovery of the debt.

Investment Interest Revenue

Investment interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Fees and Commissions Revenue

Fees and commissions are brought to account on an accrual basis once a right to receive consideration has been attained.

Loan Origination Fees Revenue

Loan origination fees are deferred as part of the loan balance and are brought to account as loan origination fee revenue over the expected life of the loan.

Fees on Loans

Fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

Net Gains and Losses

Net gains or losses on loans to the extent that they will arise from the partial transfer of business or on securitisation, do not include impairment write downs or reversals of impairment write downs.

(j) Loan transaction costs - effective interest method

All loan transaction costs that are direct and incremental to the establishment of the loan are deferred and amortised as a component of the calculation of the effective interest rate. Loan transaction costs are brought to account as a reduction of interest income over the expected life of the loan.

(k) Impairment - loans and advances

A provision for losses on impaired loans is recognised when there is objective evidence that impairment of a loan has occurred. All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans 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.

Impairment loss is measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Impairment losses are recognised in the statement of comprehensive income and reflected in a provision account against loans and advances. Interest on impaired loans and advances continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of the impairment loss to decrease the impairment loss is reversed through the statement of comprehensive income.

PROVISION FOR IMPAIRMENT

The amount provided for impairment of loans is determined by management and the Board. The Prudential Standards issued by APRA enable the minimum provision to be based on specific percentages of the loan balance, contingent upon the length of time the repayments are in arrears, and the security held. A further provision is made where there is any objective evidence that any loan or group of loans is impaired and unlikely to be recoverable.

GENERAL RESERVE FOR CREDIT LOSSES

In addition to the provision for impairment, a general reserve for credit losses is maintained to cover risks inherent in the loan portfolio. Movements in the general reserve for credit losses are recognised as an appropriation of retained earnings.

RESTRUCTURED LOANS

Restructured loans are loans which are subject to renegotiated repayment terms, generally in the process of extending hardship assistance to our customers. Arrears are not diminished and interest continues to accrue to income. Each restructured loan is retained at the full arrears position until the restructured repayment is maintained for 6 months. These loans can then be reinstated as a performing loan, subject to the loan being on the same risk terms as a new loan for its class.

BAD DEBTS

Bad debts are written off when collection of the loan or advance is considered to be remote as determined by management and the Board. All write-offs are on a case-by-case basis, taking into account the exposure at the date of the write-off. On secured loans the write-off takes place on ultimate realisation of collateral value, or following claim on any lender's mortgage insurance.

Bad debts are written off against the provision for impairment where an impairment has previously been recognised in relation to a loan. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the statement of comprehensive income.

(l) Securitisation

The credit union has participated in a loan securitisation programme whereby housing mortgage loans are sold as securities to a Trust, thus removing the asset from the credit union's balance sheet. The contractual arrangements of this programme meet the criteria for transferring assets off balance sheet.

The credit union acts as an agent to promote and complete loans on their behalf, for on-sale to an investment trust. The credit union bears no risk exposure in respect of these loans.

The credit union is not obliged to support any losses incurred by investors in the Trust and does not intend to provide such support. The credit union has no right to repurchase any of the securitised loans.

In addition the credit union is able to assign mortgage secured loans at the book value of the loans, subject to acceptable documentation criteria. During the year the credit union assigned $0.25m (2013: $0.32m) in loans. These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards associated with the loan and there is no residual benefit to the credit union. The credit union receives a management fee to recover the costs of ongoing administration of the processing of loan repayments and the issue of statements. The amount of securitised loans under management at 30 June 2014 is $3.44m (2013: $4.27m).

(m) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are measured at their fair value, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, less subsequent depreciation. It is the policy of the credit union to have an independent valuation of land and buildings each year.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

A revaluation increment is credited to the asset revaluation surplus included within members' equity unless it reverses a revaluation decrease on the same asset previously recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income unless it directly offsets a previous revaluation increment on the same asset in the asset revaluation surplus. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these assets. The recoverable amount is assessed on the basis of expected net cash flows that will be received from the asset's employment and subsequent disposal. Any decrement in the carrying amount is recognised as an impairment expense in the statement of comprehensive income in the reporting period in which the impairment loss occurs. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their useful lives to the credit union commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Property, plant and equipment is depreciated on a straight-line basis. A summary of the rates used is:

Buildings	2.5%
Motor Vehicles	20.0%
Computer Hardware	33.3%
Office Furniture and Equipment	33.3%
Leasehold Improvements	33.3%

Assets under $500 are not capitalised and are expensed directly to the statement of comprehensive income. The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income.

(n) Investment property

Investment property, principally comprising freehold land and office buildings, is held for long-term rental yields and is not occupied by the credit union. Investment property is carried at fair value, representing open market value determined annually by independent external valuers. Changes in fair values are recorded in the statement of comprehensive income.

(o) Property revaluations

The valuations of freehold land and buildings were based on the assessment of their current market value. The independent revaluations on 30 June 2014 were carried out by Mr Jeremy Rutledge AAPI. The revaluation increase, net of applicable deferred income taxes, was credited to an asset revaluation surplus in equity for owner occupied property and to the statement of comprehensive income for investment property.

The revaluation was made in accordance with a policy to revalue land and buildings every year and based on the following assumptions:

- The property is free of encumbrances, restrictions or other impediments of an onerous nature
- The property has been valued on the basis of capitalisation of estimated net rental income
- The values assume that the credit union would enter into lease arrangements for the areas it occupies in the building
- Increased rental value has been factored in the value of the property for lease renewals
- Outgoings for the property have been estimated and on the assumption it is owned by an independent investor

(p) Intangible assets

Computer Software

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 on a straight line basis at 33.3% or over the expected useful life of the software typically linked to software contracts. These lives range from 3 – 5 years.

Other Intangible Assets

Other intangible assets include product development costs and BSB (Bank-State-Branch) number establishment costs. BSB establishment costs have an indefinite life and are not amortised by the credit union.

(q) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and are amortised on a straight-line basis over the life of the lease term.

Lease income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on a straight-line basis.

(r) Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. Short-term employee benefit obligations are presented as payables.

Other long term employee benefit obligations

The liability for long service leave which is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(s) Superannuation contributions – accumulation fund

Contributions are made by the credit union to employee superannuation funds and are charged as expenses when incurred.

(t) Derivative instruments held for risk management purposes

The credit union uses derivative financial instruments such as interest rate swaps to hedge its risks associated with interest rate fluctuations.

Derivatives used for risk management purposes are measured at fair value in the balance sheet. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, interest rate swaps are classified as a cash flow hedge as they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecasted transaction.

For further details of interest rate swaps used by the credit union refer to Note 14.

When a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of the changes in the fair value of the derivative are recognised directly in equity. The amount recognised in equity is removed and included in the statement of comprehensive income, in the same period as the hedged cash flows affect profit or loss, under the same line item in the statement of comprehensive income as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of comprehensive income.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, then hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, the hedge accounting is discontinued and the balance in equity is recognised immediately in the statement of comprehensive income.

(u) Comparative figures

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

(v) Goods and services tax (GST)

As a financial institution the credit union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST included where GST is applicable. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(w) Fair value of assets and liabilities

The credit union measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the credit union would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets or liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in the highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

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.

(x) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the credit union.

KEY ESTIMATES - IMPAIRMENT

The credit union assesses impairment at the end of the reporting period by evaluating conditions specific to the credit union that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Estimation has been exercised when applying the credit union's accounting policies with respect to determining the provision for impairment of loans as disclosed in Note 13.

(y) New or emerging Accounting Standards

The following Australian Accounting Standards issued or amended are applicable to the credit union but are not yet effective for the 2014 financial year and have not been adopted in preparation of the financial statements at reporting date. The impact of each Accounting Standard on the credit union's financial reporting in future periods is considered immaterial.

AASB	Title
9	Financial Instruments *This Standard introduces revised requirements for the classification and measurement of financial instruments as well as recognition and derecognition requirements for financial instruments. Not likely to have a material impact on the credit union's financial report.*
2010 - 7	Amendments to Australian Accounting Standards arising from AASB 9
2012 - 2	Amendments to Australian Accounting Standards arising from AASB 9
2013 - 4	Novation of Derivatives and Continuation of Hedge Accounting

The following Australian Accounting Standards that are applicable to future financial reporting periods are not applicable to the credit union.

AASB	Title
1055	Budgetary Reporting
2012-3	Offsetting Financial Assets and Financial Liabilities
2013-3	Recoverable Amount Disclosures for Non-financial Assets
2013-5	Investment Entities
2013-6	Reduced Disclosure Requirements
2014-2	Transition to and between tiers relating to Tier 2 disclosure requirements

The following new and amended Australian Accounting Standards adopted by the credit union.

AASB	Title
13	Fair Value Measurement *This Standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.* *Previously the fair value of financial liabilities (including derivatives) was measured on the basis that financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price option, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant. There are no material impacts on the credit union arising from AASB 13 however additional disclosure is included in Note 31.*

(w) Date of issue

The financial report was authorised for issue on 17 September 2014 by the Board of Directors.

NOTE 2

Interest Income and Interest Expense

	2014	2013
	$'000	$'000
INTEREST REVENUE		
Cash and cash equivalents	405	502
Financial assets held to maturity	2,798	3,681
Loans	25,883	28,617
Derivatives	107	172
TOTAL INTEREST INCOME	29,193	32,972
INTEREST EXPENSE		
Deposits	15,090	19,517
Borrowings	414	420
Derivatives	164	225
TOTAL INTEREST EXPENSE	15,668	20,162

NOTE 3

Revenue

	2014	2013
INTEREST INCOME	29,193	32,972
NON-INTEREST INCOME		
Fees and commissions	3,877	3,626
Bad debts recovered	18	16
Income from property (rents)	644	717
Fair value increase - investment property	72	206
Profit on sale of non-current assets	25	4
Other	147	203
TOTAL NON-INTEREST INCOME	4,783	4,772
TOTAL REVENUE	33,976	37,744

NOTE 4

Profit Before Income Tax Expense

Profit before income tax expense has been determined after:

	2014	2013
	$'000	$'000
EXPENSES		
Interest expense	15,668	20,162
NON-INTEREST EXPENSES		
Impairment of assets		
- loans and advances	182	360
Employee benefit expenses	6,625	6,404
Occupancy expenses	551	588
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation expense		
- buildings	86	85
- plant and equipment	226	242
Amortisation expense		
- software	250	291
- leasehold improvements	70	162
	632	780
OTHER EXPENSES		
Fees and commissions	1,670	1,627
General and administration expenses	357	371
IT expenses	1,333	1,280
Loss on sale of assets	20	-
Other operating expenses	1,670	1,558
Rental expense on operating leases	511	512
	5,561	5,348
TOTAL NON-INTEREST EXPENSES	13,551	13,480
TOTAL EXPENSES	29,219	33,642

NOTE 5

Income Tax

	2014	2013
	$'000	$'000
Prima facie tax payable on profit at 30% (2013: 30%)	1,427	1,230
ADJUST FOR TAX EFFECT OF:		
Capital allowance deduction	(20)	(20)
Income tax expense attributable to the entity	1,407	1,210
Applicable weighted average effective tax rate	30%	30%
THE COMPONENTS OF INCOME TAX EXPENSE COMPRISE		
Current tax	1,456	1,289
Deferred tax	(49)	(79)
	1,407	1,210

CURRENT AND DEFERRED TAX RECOGNISED DIRECTLY IN EQUITY

Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:

	2014	2013
DEFERRED TAX		
Net movement on revaluation of land and buildings	8	3
Net movement on revaluation of cash flow hedges	(16)	10
	(8)	13

IMPUTATION CREDITS

	2014	2013
Balance of franking account imputation (franking) credits at year-end adjusted for franking credits or debits arising from payment of the provision for income tax or receipt of dividends available for subsequent reporting periods based on a tax rate of 30% (2013: 30%)	11,637	10,428

NOTE 6
Remuneration of Auditors

	2014	2013
	$'000	$'000
Remuneration of the auditor for:		
• Auditing or reviewing the financial report	58	55
• Other services		
- taxation services	6	6
- compliance	26	15
Remuneration of other auditors:		
• Internal audit	70	70
	160	146

NOTE 7
Key Management Personnel

(a) Directors

The names of the Directors of the credit union who have held office during the financial year are:

- Nicolas Harrison
- Graeme Green
- John Shanahan
- Graham Olrich
- Katrina Luckie
- Paul Spotswood
- Rebekka Battista

(b) Remuneration of key management personnel

Key Management Personnel (KMP) 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 entity. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP has been taken to comprise the Directors and the five executive and senior management responsible for the day-to-day financial and operational management of the credit union.

	2014	2013
	$'000	$'000
The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:		
(a) Short-term employee benefits	1,148	1,205
(b) Post-employment benefits - superannuation contributions	108	68
(c) Other long-term benefits - net increases in long service leave provision	56	16
	1,312	1,289

Remuneration shown as short term benefits means (where applicable) wages, salaries, paid annual leave and paid sick leave, performance incentives, value of fringe benefits received, but excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous AGM of the credit union.

(c) Loans to key management personnel

The credit union's policy for lending to Directors is that all loans are approved and deposits accepted on the same terms and conditions that applied to customers for each class of loan or deposit. KMP who are not Directors receive a concessional rate of interest on their loans and facilities. These benefits, where subject to Fringe Benefits tax, are included in the remuneration in Note 7(b) above.

There are no loans that are impaired in relation to the loan balances with KMP.

There are no benefits or concessional terms and conditions applicable to the close family members of the KMP. There are no loans that are impaired in relation to the loan balances with close family relatives of KMP.

	2014	2013
	$'000	$'000
The aggregate value of loans to KMP as at balance date amounted to	1,497	1,914
The total value of revolving credit facilities to KMP as at balance date amounted to	50	18
Less amounts drawn down and included above	(2)	(3)
Net balance available	48	15
During the year the aggregate value of loans and revolving credit facilities disbursed to KMP amounted to	74	322
Interest and other revenue earned on loans and revolving credit facilities to KMP amounted to	90	129

(d) Other transactions of key management personnel

KMP have received interest on deposits with the credit union during the financial year. Interest has been paid on terms and conditions no more favourable than those available on similar transactions to customers of the credit union.

Total value of term and savings deposits from KMP	194	206
Total interest paid on deposits to KMP	5	4

The credit union's policy for receiving deposits from other related parties and in respect of other related party transactions, is that all transactions are approved and deposits accepted on the same terms and conditions that apply to customers for each type of deposit.

There are no service contracts to which KMP or their close family members are an interested party.

NOTE 8

Cash and Cash Equivalents

	2014	2013
	$'000	$'000
Cash on hand	1,724	1,403
Deposits with ADIs	18,680	27,321
	20,404	28,724

The effective interest rate on short-term bank deposits was 1.34% (2013: 2.28%); these deposits are all at call.

NOTE 9

Trade and Other Receivables

Accrued interest	788	822
Other receivables	105	40
Sundry debtors	1,951	1,586
	2,844	2,448

NOTE 10

Other Assets

Prepayments	472	350

NOTE 11

Financial Assets Held to Maturity

Deposits with ADIs	78,672	78,981

The effective interest rate on financial assets held to maturity was 3.35% (2013: 3.73%); these deposits have an average maturity of 180 days.

NOTE 12

Financial Assets Available for Sale

Shares in unlisted entities – at cost	1	1

NOTE 13

Loans and Advances

	2014	2013
	$'000	$'000
Gross loans and advances	458,554	448,875
Unamortised loan fees	(50)	(47)
	458,504	448,828
Provision for impairment	(640)	(528)
Net loans and advances	457,864	448,300

(a) Provisions for impairment

Opening balance	528	292
Impairment expense	182	360
Bad debts written off	(70)	(124)
Closing balance	640	528

(b) Provision for impairment calculation

Provision prescribed by Prudential Standards	384	244
Additional impairment provision	256	284
Closing balance	640	528

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 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	Overdrafts % of balance	Unsecured loans % of balance	Secured loans % of balance
14 days to 89 days	40	-	-
90 days to 181 days	75	40	5
182 days to 272 days	100	60	10
273 days to 364 days	100	80	15
365 days or more	100	100	20

	2014	2013
	$'000	$'000

(c) Impairment expense

Movement in provisions for impairment	182	360
Bad debts written off directly to profit	-	-
	182	360

(d) Assets acquired from loan recovery

There were no material assets acquired by the credit union during the financial year. The policy of the credit union is to sell the assets via auction at the earliest opportunity after the measures to assist the customers to repay the debts have been exhausted.

(e) Loans and advances by impairment class

Net impaired loans – refer 13(f)	1,293	920
Past due but not impaired – refer 13(g)	15,009	18,526
Neither past due or impaired – refer 13(h)	441,562	428,854
	457,864	448,300

(f) Impaired loans and advances

	2014	2013
	$'000	$'000
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	1,519	1,228
- Investment housing loans	204	37
- Overdrafts	48	21
- Other personal purpose	151	141
Commercial	11	21
	1,933	1,448
Provision for impairment	(640)	(528)
Carrying amount	1,293	920

(g) Past due but not impaired loans and advances at reporting date

These loans are not considered impaired as the value of the related security over residential property is in excess of the loan due. Refer Note 13(i) for details of security held. Past due values are the 'on-balance sheet' loan balances.

	2014	2013
AGING ANALYSIS		
1 to 89 days	13,185	17,112
90 to 181 days	1,278	700
182 to 272 days	-	578
273 to 364 days	408	-
365 days or more	138	136
Carrying amount	15,009	18,526
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	11,620	13,454
- Investment housing loans	980	3,218
- Overdrafts	663	267
- Other personal purpose	305	602
Commercial	1,441	985
Carrying amount	15,009	18,526

(h) Neither past due nor impaired loans and advances at reporting date

	2014	2013
	$'000	$'000
Household		
- Owner occupied housing loans	281,464	276,659
- Investment housing loans	97,671	90,379
- Overdrafts	2,135	2,638
- Other personal purpose	37,246	33,270
Commercial	23,046	25,908
Carrying amount	441,562	428,854

All loans and advances that are neither past due nor impaired are with customers who have a good credit history. The above values include the balance of restructured loans and advances.

(i) Loans and advances by impairment and security

	2014	2013
(i) Against individually impaired		
- Secured by mortgage over real estate	1,723	1,265
- Partly secured by goods mortgage	47	68
- Unsecured	163	115
(ii) Against past due but not impaired		
- Secured by mortgage over real estate	14,540	17,707
- Partly secured by goods mortgage	169	319
- Cash secured	12	-
- Unsecured	288	500
(iii) Against neither past due nor impaired		
- Secured by mortgage over real estate	428,932	415,816
- Partly secured by goods mortgage	4,855	5,929
- Cash secured	145	179
- Unsecured	7,630	6,930
	441,562	428,854

	2014	2013
	$'000	$'000

It is not practical to value all collateral as at the balance date due to the variety of assets and conditions. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows.

Security held as mortgage against real estate is on the basis of loan to valuation ratio of:

- less than 80%	379,821	382,576
- more than 80% but mortgage insured	43,125	38,895
- more than 80% and not mortgage insured*	22,248	13,318
	445,194	434,789

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

**At times, this category may include some interest only loans due to timing differences with interest charging and repayments.*

(j) Restructured loans

Book value of restructured loans at balance date	10,982	10,671
Book value of restructured loans which are well secured	10,798	10,446
Book value of restructured loans which are not well secured	184	225

Loans are considered well secured where they are secured by a registered mortgage over real estate.

The value of restructured loans may include loans reported as past due or impaired. See also Note 1(k).

NOTE 14

Derivatives

Liability

Interest rate swap contracts - cash flow hedge	14	67

Derivative instruments used by the credit union

The credit union enters into derivative transactions in the normal course of business to hedge exposure to fluctuations in interest rates in accordance with the credit union's interest rate risk management policies.

Interest rate swap contracts - cash flow hedges

The credit union's loans currently bear an average variable rate of interest of 5.49%. It is the credit union's policy to hedge loans at fixed rates of interest by entering into interest rate swap contracts under which the credit union is obliged to receive interest at variable rates and to pay interest at fixed rates. Swaps currently in place are timed to expire as each loan repayment falls due. Fixed interest rate is 4.09% and variable rate is equivalent to the 90 day bank bill rate which at balance date was 2.71% (2013: 2.82%).

The notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

	2014	2013
	$'000	$'000
Less than 1 year	4,000	-
1 – 2 years	-	4,000
2 – 3 years	-	-
	4,000	4,000

The contracts require settlement of net interest receivable or payable each 90 days. Settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis. Below is a schedule indicating at balance date, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2014	Within 1 year	1-2 years	2-3 years
	$'000	$'000	$'000
Cash inflows	27	-	-
Cash outflows	41	-	-
Net cash flows	(14)	-	-

2013	Within 1 year	1-2 years	2-3 years
	$'000	$'000	$'000
Cash inflows	113	28	-
Cash outflows	164	41	-
Net cash flows	(51)	(13)	-

NOTE 15

Property, Plant and Equipment

	2014	2013
	$'000	$'000
LAND		
At fair value	315	315
BUILDINGS		
At fair value	3,459	3,459
LEASEHOLD IMPROVEMENTS		
At cost	1,252	1,229
Accumulated amortisation	(1,196)	(1,142)
	56	87
PLANT AND EQUIPMENT		
At cost	1,978	1,913
Accumulated depreciation	(1,611)	(1,587)
	367	326
Total Property, Plant and Equipment	4,197	4,187

MOVEMENTS IN CARRYING AMOUNTS

Reconciliations of the carrying amounts of each class of property, plant and equipment between the beginning and end of the current financial year are set out below.

	Land	Buildings	Plant & equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000
Balance at the beginning of the financial year	315	3,459	326	87	4,187
Additions	-	133	296	39	468
Disposals	-	-	(35)	-	(35)
Depreciation expense	-	(92)	(220)	-	(312)
Amortisation expense	-	-	-	(70)	(70)
Revaluations	-	(41)	-	-	(41)
Carrying amount at the end of the financial year	315	3,459	367	56	4,197

	2014	2013
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	9,631	9,490
Accumulated depreciation	(4,237)	(3,998)
Net book value	5,394	5,492

Historical cost stated for land and buildings includes both owner-occupied and investment property.

NOTE 16

Investment Property

	2014	2013
LAND		
At fair value	1,611	1,611
BUILDINGS		
At fair value	3,895	3,815
Total Investment Property	5,506	5,426

MOVEMENTS IN CARRYING AMOUNTS

Reconciliations of the carrying amounts of investment property between the beginning and end of the current financial year are set out below.

	Land	Buildings	Total
	$'000	$'000	$'000
Balance at the beginning of the financial year	1,611	3,815	5,426
Net revaluation increment	-	80	80
Carrying amount at the end of the financial year	1,611	3,895	5,506

NOTE 17
Deferred Tax Assets

	2014	2013
	$'000	$'000
Deferred tax assets comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Plant and equipment	198	188
Provision for impairment	192	158
Provision for employee benefits	323	295
Accrued expenses	67	75
Deferred loan fee asset	15	14
	795	730
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Hedge reserve	4	20
	4	20
Total deferred tax assets	799	750

NOTE 18
Intangible Assets

	2014	2013
COMPUTER SOFTWARE		
At cost	2,343	2,224
Accumulated amortisation	(1,868)	(1,626)
	475	598
Other Intangible Assets	310	303
Total Intangible Assets	785	901

MOVEMENTS IN CARRYING AMOUNTS
Reconciliations of the carrying amounts of each class of intangible asset between the beginning and end of the current financial year are set out below:

	Computer Software	Other Intangible Assets	Total
	$'000	$'000	$'000
Balance at the beginning of the financial year	598	303	901
Additions	127	7	134
Amortisation expense	(250)	-	(250)
Carrying amount at the end of the financial year	475	310	785

NOTE 19
Deposits

	2014	2013
	$'000	$'000
At call deposits	247,375	221,390
(including withdrawable shares)		
Term deposits	260,739	284,044
	508,114	505,434

Concentration of deposits

There is no concentration of deposits in excess of 10% of total liabilities.

NOTE 20
Trade and Other Payables

Accrued interest payable on deposits and borrowings	3,505	4,657
Sundry creditors and accrued expenses	605	484
Employee benefits - annual leave	389	382
Trade creditors	147	315
Clearing accounts	5,274	7884
	9,920	13,722

NOTE 21
Current Tax Liability

Current income tax payable	572	28

NOTE 22

Deferred Tax Liabilities

	2014	2013
	$'000	$'000
Deferred tax liabilities comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Investment properties	449	441
	449	441
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Land and buildings	309	309
	309	309
Total deferred tax liabilities	758	750

NOTE 23

Provisions

Employee benefits - long service leave	688	608
ROLL FORWARD OF PROVISIONS		
Opening balance	608	685
Additional provisions raised	113	(64)
Amounts paid	(33)	(13)
Closing balance	688	608
ANALYSIS OF LIABILITY		
Expected to be settled within twelve months	86	48
Expected to be settled after twelve months	602	560
	688	608

NOTE 24

Borrowings

Subordinated debt	4,410	5,760

The subordinated debt instruments were issued on the following terms and conditions:

- Issued in AUD
- Unsecured debt instruments
- Interest is payable quarterly in arrears based on a margin above the 90 day BBSW
- Terms range from 5 – 10 years

NOTE 25

Redeemable Preference Share Capital Account

Under the Corporations Act 2001member shares are classified as redeemable preference shares. The redemption of these shares is required under the Act to be made from profits.

The value of the shares that have been paid to members is in accordance with the terms and conditions of the share issue and the redemption account represents the amount of profits appropriated.

For values please refer to the Statement of Changes in Equity.

NOTE 26

Reserves

General reserve

The general reserve records funds set aside for future expansion of the credit union.

Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments.

Asset revaluation surplus

The asset revaluation surplus records revaluations of non-current assets net of income tax.

Reserve for credit losses

The reserve for credit losses records amounts maintained to comply with the Prudential Standards as set down by APRA.

Hedge reserve

The hedge reserve records movements in the fair value of effective cash flow hedges net of income tax.

For values please refer to the Statement of Changes in Equity.

NOTE 27

Commitments

	2014	2013
	$'000	$'000

(a) Future capital commitments

At balance date the credit union has not entered into contracts for the purchase of property, plant and equipment.

(b) Operating lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements, payable:

	2014	2013
Not longer than 1 year	629	638
Longer than 1 and not longer than 5 years	849	965
	1,478	1,603

Operating lease commitments relate to ATM leases which have terms of five years and repayments payable monthly.

Property leases which are non-cancellable leases with a two to five year term, with rent payable monthly in advance. An option exists to renew some of the leases at the end of the term for an additional term of two to five years.

(c) Outstanding loan commitments

Loans and credit facilities approved but not funded or drawn at the end of the financial year:

	2014	2013
Loans approved but not funded	5,237	6,473
Loan redraw facilities available	28,080	24,535
Undrawn overdraft and line of credit	8,369	8,753
Total loan commitments	41,686	39,761

(d) Operating leases receivable

Future minimum lease payments expected to be received in relation to non-cancellable sub-leases of operating leases:

	2014	2013
Not longer than 1 year	709	674
Longer than 1 and not longer than 5 years	828	1,350
	1,537	2,024

The property leases are non-cancellable leases with a one to five year term, with rent payable monthly in advance. An option exists to renew the leases at the end of the relevant term for an additional term of one to five years.

NOTE 28

Contingent Liabilities

CUFSS Limited (CUFSS)

The credit union is a participant in CUFSS. The purpose of CUFSS is to protect the interests of credit union customers, increase stability in the industry and provide liquidity in excess of current borrowing limits in times of need.

The balance of the debt at 30 June 2014 was Nil (2013: Nil).

NOTE 29

Classes of Financial Assets and Liabilities

	2014	2013
	$'000	$'000

The following is a summary of the credit union's financial instruments by class.

(a) Financial assets - measured at amortised cost

	2014	2013
Cash and cash equivalents	20,404	28,724
Trade and other receivables	2,844	2,448
Financial assets available for sale - unlisted shares at cost	1	1
Loans and advances	457,864	448,300
Financial assets held to maturity	78,672	78,981
Total	559,785	558,454

(b) Financial liabilities - measured at amortised cost

	2014	2013
Deposits	508,114	505,434
Trade and other payables (excluding employee benefits)	9,531	13,339
Borrowings	4,410	5,760
Total	522,055	524,533

(c) Financial liabilities - measured at fair value

	2014	2013
Derivatives	14	67

NOTE 30

Risk Management

Risk management policy and objectives

The credit union's risk management focuses on the major areas of market risk, credit risk, liquidity risk, operational risk and capital management. Authority flows from the Board of Directors to the Board Audit and Risk Committee to the Risk Management Committee, which are integral to the management of risk.

(a) Market risk and hedging policy

Market risk is the risk that changes in interest rates, foreign exchange rates or other prices and volatilities will have an adverse effect on the credit union's financial condition or results.

The credit union is not exposed to currency risk or other significant price risk and does not trade in the financial instruments it holds on its books. The credit union is only exposed to interest rate risk arising from changes in market interest rates in its banking book and manages this through the use of interest rate swaps.

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The credit union's exposure to interest rate risk is measured and monitored using the Value at Risk (VaR) model which is a statistical measure of the maximum loss expected to be incurred due to a change in market conditions, arising from currently held positions, given a 99% Confidence Level, 20-day Holding Period and 250-day Observation Period.

The credit union has a VaR limit to capital of 2.50%. The table below sets out the VaR position for the past two years.

	2014	2013
VaR after prepayments and hedges	$263,291	$102,714
VaR as % of capital	0.56%	0.24%

Repricing of financial assets and liabilities

The credit union's exposure to interest rate risk and the effective weighted average interest rate on classes of financial assets and financial liabilities is as follows:

	Floating Interest Rate $'000	Fixed interest rate maturing			Non Interest Sensitive $'000	Total $'000	Weighted Average Effective Interest Rate
		Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000			
Repricing Period at 30 June 2014							
FINANCIAL ASSETS							
Cash and cash equivalents	20,404	-	-	-	-	20,404	1.19%
Trade and other receivables	-	-	-	-	2,844	2,844	
Financial assets available for sale	-	-	-	-	1	1	
Financial assets held to maturity	-	59,172	19,500	-	-	78,672	3.42%
Loans and advances	317,782	55,537	84,545	-	-	457,864	5.72%
TOTAL FINANCIAL ASSETS	338,186	114,709	104,045	-	2,845	559,785	
FINANCIAL LIABILITIES							
Deposits	238,738	250,404	18,678	-	294	508,114	2.97%
Trade and other payables	-	-	-	-	9,531	9,531	
Derivatives	-	-	-	-	14	14	
Borrowings	-	1,500	2,650	260	-	4,410	7.59%
TOTAL FINANCIAL LIABILITIES	238,738	251,904	21,328	260	9,839	522,069	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	4,000	-	-	-	4,000	4.09%
Undrawn loan commitments	41,686	-	-	-	-	41,686	
Repricing Period at 30 June 2013							
FINANCIAL ASSETS							
Cash and cash equivalents	28,724	-	-	-	-	28,724	2.10%
Trade and other receivables	-	-	-	-	2,448	2,448	
Financial assets available for sale	-	-	-	-	1	1	
Financial assets held to maturity	-	78,981	-	-	-	78,981	4.05%
Loans and advances	334,944	40,255	73,101	-	-	448,300	6.37%
TOTAL FINANCIAL ASSETS	363,668	119,236	73,101	-	2,449	558,454	
FINANCIAL LIABILITIES							
Deposits	221,102	275,774	8,270	-	288	505,434	3.77%
Trade and other payables	-	-	-	-	13,339	13,339	
Derivatives	-	-	-	-	67	67	
Borrowings	-	1,350	4,100	310	-	5,760	7.73%
TOTAL FINANCIAL LIABILITIES	221,102	277,124	12,370	310	13,694	524,600	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	-	4,000	-	-	4,000	5.62%
Undrawn loan commitments	38,726	-	-	-	-	38,726	

(b) Credit risk

MAXIMUM CREDIT RISK EXPOSURE

The credit union's maximum credit risk exposure, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset, is the carrying amount of those assets as indicated in the balance sheet.

LOANS

In relation to loans, the maximum credit exposure is the value on the balance sheet plus the undrawn facilities (loans approved not advanced, redraw facilities, overdraft facilities). The credit union reduces the risk of losses from loans to customers by engaging responsible lending practices. This includes verifying a borrower's capacity to repay, reviewing financial position and performance, and making reasonable inquiries about the borrower's requirements and objectives. Loan security is generally taken to mitigate credit risk.

The credit union maintains detailed policies relating to lending including: Loans Policy; Responsible Lending; Credit Control; Large Exposures. Policy formation, credit control and lending compliance functions are segregated from loans origination to ensure credit quality.

CONCENTRATION RISK

The credit union minimises concentrations of credit risk in relation to loans by undertaking transactions with a large number of customers. Credit risk is currently managed in accordance with the Prudential Standards to reduce the credit union's exposure to potential failure of counterparties to meet their obligations under the contract or arrangement.

The geographical concentrations of credit risk on loans fall in the following categories:

	Maximum Credit Risk Exposure of Total Loans			
		2014		**2013**
Geographical Area	%	**$'000**	%	**$'000**
New South Wales	91	419,489	91	411,068
Queensland	8	38,072	8	37,269
Other	1	5,165	1	4,912

The credit union does not hold any loans to individual customers (including associated customers) with a value greater than 10% of capital.

LIQUID INVESTMENTS

The credit union uses the ratings of reputable rating agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APS 112 Capital Adequacy: Standardised Approach to Credit Risk. The credit quality assessment scale within this standard has been complied with.

The table below sets out limits on maximum holdings per rating and counterparty.

Short term S & P Rating	**Maximum Holding** *(As a percentage of total liquidity portfolio)*	**Maximum per Counterparty** *(As a percentage of total eligible capital)*
A-1+	100%	50%
A-1	100%	50%
A-2	80%	50%
A-3	15%	30%
Unrated	15%	30%
Unrated – Settlement accounts	20%	50%

The exposure values associated with each credit quality step for the credit union's investments are as follows:

Actual Rating	**2014** Balance $'000	**2013** Balance $'000
A-1+/AA-	19,096	13,530
A-1/A-	2,846	10,445
A-2/BBB-	64,672	57,509
Unrated - Settlement accounts	10,590	24,816
Total	97,204	106,300

(c) Liquidity risk

Liquidity risk is the risk that the credit union may encounter difficulties raising funds to meet commitments associated with financial instruments e.g. loan funding or customer withdrawal demands. It is the policy of the Board of Directors that the credit union maintains adequate cash reserves and committed credit facilities so as to meet the customer withdrawal demands when requested.

The Liquidity Management policy requires that investments are only made to institutions that are credit worthy. The credit union has a long standing arrangement with the industry liquidity support scheme, CUFSS Limited (CUFSS) which can access industry funds to provide support to the credit union should this be necessary at short notice.

Under CUFSS at least 3.2% of the total credit union assets must be invested in an approved ADI, to allow the scheme to have adequate resources to meet its obligations.

The credit union manages liquidity risk by:

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

The credit union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under APS 210 Liquidity. The credit union's policy is to apply 13% of funds as liquid assets to maintain adequate funds for meeting customer withdrawal requests. This ratio is monitored daily. Should the liquidity ratio fall below this level management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits and the available borrowing facilities.

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

	2014	**2013**
Liquid funds to total adjusted liabilities:		
- As at 30 June	15.29%	16.52%
- Average for the year	15.52%	16.44%
- Minimum during the year	14.35%	14.13%
Liquid funds to total deposits:		
- As at 30 June	17.05%	18.35%

Monetary assets and liabilities have differing maturity profiles depending on the contractual term, and in the case of loans the repayment amount and frequency. The associated table shows the period in which different monetary assets and liabilities held will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table below shows the period over which the principal outstanding will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained. For term loans the dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

Maturity profile of financial assets and liabilities

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement periods for all other financial instruments. As such the amounts disclosed may not reconcile to the balance sheet.

	Within 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2014							
FINANCIAL ASSETS							
Cash and cash equivalents	-	-	-	-	-	20,404	20,404
Trade and other receivables	-	-	-	-	-	2,844	2,844
Financial assets available for sale	-	-	-	-	-	1	1
Financial assets held to maturity	20,371	22,628	16,173	19,500	-	-	78,672
Loans and advances	2,026	4,081	18,828	51,100	373,698	8,131	457,864
TOTAL FINANCIAL ASSETS	22,397	26,709	35,001	70,600	373,698	31,380	559,785
FINANCIAL LIABILITIES							
Deposits	47,590	90,550	112,263	18,678	-	247,374	516,455
Trade and other payables	-	-	-	-	-	9,535	9,535
Borrowings	-	-	1,825	3,412	388	-	5,625
Derivatives	-	14	-	-	-	-	14
	47,590	90,564	114,088	22,090	388	256,909	531,629
Undrawn loan commitments	41,686	-	-	-	-	-	41,686
TOTAL FINANCIAL LIABILITIES	89,276	90,564	114,088	22,090	388	256,909	573,315
2013							
FINANCIAL ASSETS							
Cash and cash equivalents	-	-	-	-	-	28,724	28,724
Trade and other receivables	-	-	-	-	-	2,448	2,448
Financial assets available for sale	-	-	-	-	-	1	1
Financial assets held to maturity	23,796	25,722	29,463	-	-	-	78,981
Loans and advances	2,450	4,939	21,121	44,301	366,474	9,015	448,300
TOTAL FINANCIAL ASSETS	26,246	30,661	50,584	44,301	366,474	40,188	558,454
FINANCIAL LIABILITIES							
Deposits	56,859	111,838	115,848	9,908	-	221,390	515,843
Trade and other payables	-	-	-	-	-	13,339	13,339
Borrowings	-	-	1,822	4,826	467	-	7,115
Derivatives	-	-	-	67	-	-	67
	56,859	111,838	117,670	14,801	467	234,729	536,364
Undrawn loan commitments	38,726	-	-	-	-	-	38,726
TOTAL FINANCIAL LIABILITIES	95,585	111,838	117,670	14,801	467	234,729	575,090

(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, 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 minimise the impact.

(e) Capital management

Under the APRA Prudential Standards capital is determined in three components being Credit Risk, Market Risk (trading book) and Operational Risk.

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

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

To manage the credit union's capital, the credit union reviews the capital ratio monthly and monitors major movements in asset levels. Policies have been implemented which require reporting to the Board and APRA if the capital ratio falls below 13%. Further, a 5 year budget projection of the capital levels is maintained to address how strategic decisions or trends may impact on the capital level, as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).

The capital required for any change in the credit union's forecasts for asset growth, or unforeseen circumstances, is assessed by the Board using capital forecasting models to assess the impact upon the overall capital position of the credit union.

The credit union's regulatory capital comprises two tiers:

TIER 1 CAPITAL

Tier 1 Capital consists of:

1. Common Equity Tier 1 Capital (CET1) - which comprise the highest quality components that satisfy the following characteristics:
   - Provide a permanent and unrestricted commitment of funds
   - Are freely available to absorb losses
   - Do not impose any unavoidable servicing charge against earnings
   - Rank behind the claims of depositors and other creditors in the event of winding-up the issuer

It typically consists of retained earnings, accumulated income, other disclosed reserves and revaluation reserves.

2. Additional Tier 1 Capital – the only difference to CET1 is that these instruments provide for fully discretionary capital distributions and rank behind claims of depositors and more senior creditors.

TIER 2 CAPITAL

Tier 2 Capital includes other components of capital that fall short of the quality of Tier 1 capital but still contribute to the overall strength of an ADI and its capacity to absorb losses, such as subordinated debt and General Reserve for Credit Losses.

Following Basel III introduction on 1st January 2013, current subordinated debt instruments held at the time have been approved for transitional arrangements, including a phasing out from 1st January 2013 with an amortisation rate of 10% until the first call date or maturity date of the instrument.

The capital structure as at the end of the financial year, for the past two years is as follows:

Capital structure	**2014**	**2013**
	$'000	$'000
Net Tier 1 Capital	44,382	40,970
Net Tier 2 Capital	4,249	4,993
Total Capital Base	48,632	45,963
Total Risk Weighted Assets	296,425	313,543
Total Capital Ratio	16.41%	14.66%
Tier 1 Capital Ratio	14.97%	13.07%

Full disclosure of the regulatory capital and the remuneration disclosure is available on the credit union website.

NOTE 31

Valuation of Financial Instruments

Net fair value estimates were determined by the following methodologies and assumptions set out below.

Liquid assets and receivables due from other financial institutions

The carrying values of cash and liquid assets approximate their net fair value as they are short term in nature or are receivable on demand.

Investment securities and other financial assets

For financial instruments traded in organised financial markets, fair value is the quoted market value for the asset. For investments where there is no quoted market value, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.

Loans and advances

The fair value of loans, advances and other receivables is based on their carrying amount net of the specific provision for impairment.

Deposits

The fair value of deposits is based on their carrying amount.

Land and buildings

Determined by an independent valuer in accordance with the requirements of Australian Accounting Standard 116 Property, Plant & Equipment.

Investment properties

Determined by an independent valuer in accordance with the requirements of Australian Accounting Standard 140 Investment property.

Payables and other liabilities

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value.

Subordinated debt

The carrying value of subordinated debt approximates its fair value as it reprices quarterly.

Derivatives

The fair value of interest rate swaps is calculated as the present value of estimated future cash flows.

Fair value estimate for financial assets and liabilities

The aggregate net fair values of financial assets and liabilities, both recognised and unrecognised, at the balance date are as follows:

	2014		2013	
	Carrying value $'000	**Net fair value** $'000	**Carrying value** $'000	**Net fair value** $'000
Assets				
Cash and cash equivalents	20,404	20,404	28,724	28,724
Trade and other receivables	2,844	2,844	2,448	2,448
Financial assets available for sale	1	1	1	1
Financial assets held to maturity	78,672	78,672	78,981	78,981
Loans and advances	457,864	453,852	448,300	448,740
Liabilities				
Deposits	508,114	509,324	505,434	505,076
Trade and other payables	9,920	9,920	13,722	13,722
Borrowings	4,410	4,410	5,760	5,760
Derivatives	14	14	67	67

Fair value hierarchy

The credit union measures fair values of assets and liabilities carried at fair value in the financial report using the following hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical asset or liability.

Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes assets or liabilities valued using:

- Quoted market prices in active markets for similar assets or liabilities
- Quoted prices for identical or similar assets or liabilities in markets that are considered less than active

- Other valuation techniques where all significant inputs are directly or indirectly observable from market data

Level 3: Valuation techniques using significant unobservable inputs. This category includes all assets and liabilities where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the asset's or liability's valuation. This category includes assets and liabilities that are valued based on quoted prices for similar assets or liabilities where significant unobservable adjustments or assumptions are required to reflect differences between them.

Fair values for financial instruments or non-financial assets or liabilities traded in active markets are based on quoted market prices at reporting date. The quoted market price for financial assets is the current bid price. The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. To the extent possible assumptions used are based on observable market prices and rates at the end of the reporting date.

The table below categorises assets and liabilities (excluding derivatives) measured and recognised at fair value at the reporting date by the level of the fair value hierarchy into which the fair value measurement is categorised.

	Level 1	**Level 2**	**Level 3**	**Total**
	$'000	$'000	$'000	$'000
2014				
Recurring fair value measurements				
Land and Buildings	-	3,774	-	3,774
Investment properties	-	5,506	-	5,506
2013				
Recurring fair value measurements				
Land and Buildings	-	3,774	-	3,774
Investment properties	-	5,426	-	5,426

There have been no significant transfers into or out of each level during the year ended 30 June 2014 or the prior year.

Disclosed fair values

The credit union has a number of assets and liabilities which are not measured at fair value, but for which fair values are disclosed in the notes.

Cash and cash equivalents as well as receivables from other financial institutions are short-term liquid assets which approximate fair value.

The carrying value less impairment provision of receivables and payables is a reasonable approximation of their fair values due to their short-term nature. The fair value of fixed interest loans and advances for disclosure purposes is estimated by discounting the future contractual cash flows as the current market interest rate on similar loans offered in the market place. The carrying amount of variable interest loans and advances approximate their fair value.

The fair value of financial liabilities such as deposits for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the credit union for similar financial instruments.

Valuation Techniques Used to Derive Level 2 FAIR Values Recognised in the Financial Statements

Land & buildings and investment properties

Land and buildings are valued independently every year. At the end of each reporting period the credit union reassesses whether there has been any material movement to the fair value of land and buildings to determine whether the carrying amount in the financial statements requires adjustment. The credit union determines each property's value within a range of reasonable fair value estimates.

The best evidence of fair value in current prices is an active market for similar properties. Where such information is not available the credit union considers information from a variety of sources, including:

- Current prices in an active market for properties of different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences
- Discounted cash flow projections based on rental yields

Due to the nature of the credit union's property it is considered to have only level 2 valuation inputs.

NOTE 32

Superannuation commitments

Superannuation benefits are provided for employees as required under the Superannuation Guarantee Legislation.

As the fund is an accumulation fund, adequate funds are held to satisfy all benefits payable in the event of termination of the plan and voluntary or compulsory termination or retirement of each employee.

NOTE 33

Economic dependency

The credit union has an economic dependency on the following suppliers of service:

(a) First Data Corporation

This company operates the electronic switching network used to link customer card transactions on ATMs and other approved POS devices with merchants, and to the credit union's core banking system.

(b) Data Action Pty Ltd

This company provides and maintains the banking application software for the credit union. (i.e. core banking system)

(c) Australian Settlements Ltd

This entity provides settlement services for BPay, card transactions, direct entry, chequing and RTGS (high value irrevocable transactions).

NOTE 34

Statement of Cash Flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and 'at call' deposits, net of overdrafts with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2014	2013
	$'000	$'000
Cash and cash equivalents	20,404	28,724

(b) Cash flows presented on a net basis

Cash flows arising from the following activities are presented on a net basis in the statement of cash flows:

(i) deposits into and withdrawals from savings, money market and other deposit accounts
(ii) sales and purchases of maturing certificates of deposit
(iii) short-term borrowings and
(iv) provision of loans and the repayment of such loans.

(c) Reconciliation of cash flow from operations with profit after income tax

	2014	2013
	$'000	$'000
Profit after income tax	3,350	2,892
Non-cash flows in profit after income tax:		
Revaluation of investment property	(65)	(219)
Depreciation and amortisation	632	780
Provision for loan impairment	112	236
Changes in assets and liabilities		
Increase/(Decrease) in provisions	80	(76)
Increase/(Decrease) in interest payable	(1,152)	746
(Increase)/Decrease in interest receivable	34	166
Increase/(Decrease) in income taxes payable	544	(123)
(Increase)/Decrease in deferred tax assets	(49)	(130)
Increase/(Decrease) in deferred tax liability	8	63
(Increase)/Decrease in other assets	(121)	(125)
Increase/(Decrease) in trade and other payables	(2,669)	5,892
(Increase)/Decrease in trade and other receivables	(367)	(1,326)
	337	8,776
Net movement in loans	(9,677)	3,708
Net movement in deposits	2,680	11,066
Net cash provided by operating activities	(6,660)	23,550

NOTE 35

Company Details

The registered office of the company and the principal place of business is:
Summerland Credit Union Limited
101 Molesworth Street Lismore NSW 2480

NOTE 36

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the credit union, to affect significantly the operations of the credit union, the results of those operations, or the state of affairs of the credit union, in future financial years.

Declaration by Directors

The Directors of Summerland Credit Union Limited declare that:

In the opinion of the Directors:

(a) The financial statements and notes of the credit union are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the credit union as at 30 June 2014 and of its performance for the year ended on that date, and
  (ii) complying with Accounting Standards and the Corporations Regulations;

(b) 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.

Mr Nicolas Harrison
Chairman

Mr Graeme Green
Vice Chairman

Lismore 17 September 2014

Thomas Noble & Russell
Accountants | Auditors | Business Advisers

Independent Auditor's Report

To the members of Summerland Credit Union Limited

We have audited the accompanying financial report of Summerland Credit Union Limited (the credit union), which comprises the balance sheet as at 30 June 2014, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the credit union.

Directors' Responsibility for the Financial Report

The directors of the credit union are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial report of the credit union complies with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the credit union's preparation and fair presentation 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 credit union'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.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Summerland Credit Union Limited is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the credit union'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 and the Corporations Regulations 2001; and

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

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS

A J Bradfield (Partner)
Registered Company Auditor

Lismore 17 September 2014

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