2013 ANNUAL REPORT

Summerland
CREDIT UNION

banking on people.

2013 Annual Report

Registered Office

101 Molesworth Street
Lismore NSW 2480

Telephone

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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
COBA Legal
Langes+
Maxwell & Co
Riley & Riley

Bankers

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

Auditors

KPMG
Thomas Noble & Russell

Affiliations

Australian Settlements Limited
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 members:

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

Chairman's Report

I am pleased to be able to present this year's Annual Report on behalf of the Board, as I enter my third term as Chairman.

During the past year Summerland has continued to conscientiously pursue goals to maintain strong capital, funding and liquidity positions, as volatile economic conditions overseas took a more significant hold on Australia. Consequently the Board reviewed the existing strategic plan to ensure it could cope with this impact. The Board is confident that the strategic direction soundly satisfies the vision and mission of the credit union and our environmental challenges.

Strong Response to Challenges

Conditions in the economy during the past year have created some challenging times for customer owned banking institutions such as your credit union. The Australian economy is still recovering from the effects of the last few years, with a cautious outlook continuing to be the favoured position of families and businesses

Consistent with the local economic indicators, Summerland's loan book contracted minimally. According to industry analysis, household and business credit growth is expected to remain fairly subdued for some time because of weak demand and confidence. However, with interest rates at historic lows the market favours borrowers and not depositors. This reducing interest rate cycle presents its own challenge as the interest margin for your credit union and the sector drops, yet we still focus on being able to provide the 'Summerland service' members have always enjoyed.

Economic and political uncertainty has changed individuals' behaviour as evidenced by faster repayment of loans and high savings deposits. Competition with the banks for retail funds continues, as they source their funding from Summerland's traditional fund base, Australian families.

Customer Owned Banking

Summerland Credit Union is an active participant in our peak body Abacus Australian Mutuals Ltd. Despite many years of campaigning and educating, the majority of the Australian public could not understand the concept of mutuality and how it relates to credit unions and building societies. After extensive market testing it became apparent that the term 'customer owned' resonated very highly with the focus groups. As a result, at 1 July 2013 Abacus Australian Mutuals Ltd will be known as Customer Owned Banking Association (COBA).

When you see reference to 'customer owned' rest assured that we still retain the same constitution and principles we have for the past 50 years.

Strategic Focus

Throughout this year the Board and Management have continued to focus on key strategic projects aimed at improving productivity, product innovation and customer experience and engagement, while continuing to closely manage costs.

This prudent management has meant that Summerland has achieved $2.9m profit for this year, a slight decrease from last year due to margin contraction. Each year all profits are re-invested into the business for further member benefit and value.

In the current environment, balancing cost, innovation and regulatory changes are the challenges for your credit union. Given this, the pursuit of operational efficiency within the credit union has been a credit to the sound management systems in place.

The Board has diligently performed its duties to ensure that adequate risk management capabilities and controls are maintained, whilst maintaining appropriate lending standards and ensuring adherence to responsible lending practices.

Milestone of Achievement

The year ahead promises to be a significant milestone in Summerland's long list of achievements as we celebrate the 50th year of the credit union. This achievement will be acknowledged and celebrated towards the end of the financial year.

To the management team and staff, I extend on behalf of the Board our appreciation for your enthusiasm and support over the past twelve months.

To my fellow Directors I extend my appreciation for your contribution of expertise and assistance during this challenging year. It is a pleasure to work with you all.

Nicolas Harrison
Chairman

Chief Executive Officer's Report

One of the challenges of being a financial institution in today's highly regulated climate is to find a point of differentiation from other ADIs (Australian Deposit-taking Institutions). The credit union has a loyal but aging membership that is moving into different stages of their lives. The credit union needs to adopt new technology, different forms of social communication and new products, which are expected by a younger demographic.

A New Brand for the Credit Union

A highlight of the past year has been the launch of a new product brand for the credit union.

Banking on Football has been launched to offer banking services for people who are passionate about football. This brand has been gaining exposure throughout Australia and internationally and caters to a segment of highly motivated individuals in a lead up to the Asia Cup to be held in Australia in 2015. A separate website caters for football fans who share our passion *bankingonfootball.com*

Banking on Football (BOF) is attracting a new generation of members, and helping to strengthen the credit union's long term sustainability.

Summerland Value Proposition Continues

Management and staff introduced further initiatives to enhance the value of the relationship that our members enjoy from belonging to the credit union.

In recent months there has been the addition of greater accessability via the launch of mobile websites for both Summerland and Banking on Football. We now also have a new app available for iPhone users. As the explosive growth of smartphones continues, more customers (both remote and urban) will use mobile apps.

Summerland's value offering reflects the response to our members' preference for a self service approach for basic transactions with the added expectation of personal contact for advice and complex solutions. Currently approximately 40% of our members use internet banking. Transactions completed electronically are approximately 95% of total transactions, through all the available channels we offer to members.

The credit union completed the transition to a new payments service provider during the year. This change brings greater independence and flexibility for the credit union and improved functionality into the future for our members. As part of the change new Visa and eftpos cards for Summerland and Banking on Football were issued to existing members during October-November 2012.

I would like to thank our members for the patience shown during the year as we transitioned to our new ATM network. Members now have direct charge free access to our new Summerland ATMs plus the reliable Australia-wide Westpac network.

Branches Maintain High Standard of Service

Summerland sees member channels such as self-service via internet banking as complementary to the use of the branch network. Self-service helps facilitate members taking up more products, as they are able to do introductory research on their own, and when in branch it is possible for members to have a much richer discussion. Branch and eBranch staff are there to assist, educate and to provide clarity and assurance.

Improving our customer experience has occurred with staff conducting Care Calls and Money Health Checks with members to ensure they are getting the best out of their savings and products.

Regional Community Focus

Recognition for the professional service offered by our staff was achieved during the year from the Business Excellence Awards in Alstonville, Lismore and also Grafton.

Giving back to our community continued to be a focus, which saw the credit union introduce further opportunities for mutually supportive benefits via the new Cash4Clubs and Cash4aCause programs during the year. Through these programs and other sponsorships the credit union was able to give a variety of support to over 60 organisations.

International Community Focus

In late June, Banking on Football partnered with Credit Union Foundation of Australia (CUFA) and sent a team of local football and financial experts to Cambodia to deliver the 'Banking on Football Engagement Program'. This volunteer partnership also provided the opportunity for CUFA Cambodian finance staff to learn technical skills from our CFO with the establishment of a new accounting system.

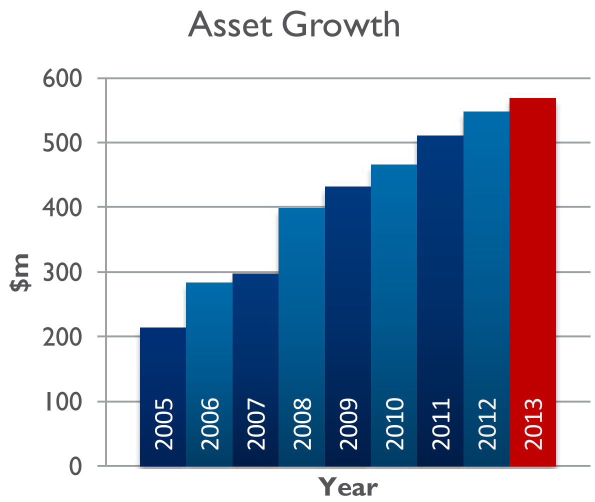
The Program aims to help teach Cambodian children crucial financial literacy skills to help them break out of the cycle of poverty, using football as the means to engage them. It was an extremely successful program, for both the children and the team from Summerland.

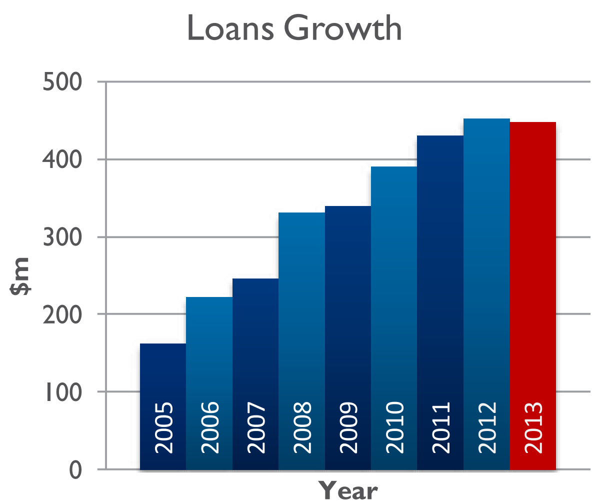
Summerland management and staff continue to focus on providing value to members, of all ages and in all locations both within Australia and overseas.

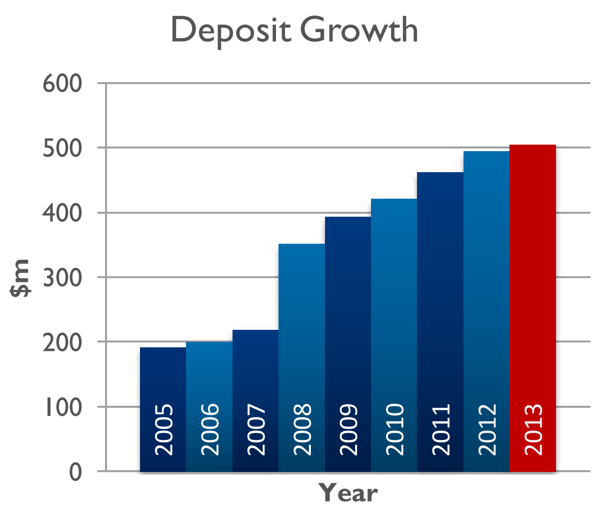
Margot Sweeny

Chief Executive Officer

2013 Financial Snapshot







Summerland Branches

Providing personal service, we have 13 conveniently located branches spread across the NSW North Coast and southern Gold Coast.

Alstonville	88 Main St Alstonville NSW 2477
Ballina	165 River St Ballina NSW 2478
Bangalow	Cnr Station & Byron Sts Bangalow NSW 2479
Casino	63 Walker St Casino NSW 2470
Coolangatta	56 Griffith St Coolangatta QLD 4225
Evans Head	10 Oak St Evans Head NSW 2473
Grafton	82 Prince St Grafton NSW 2460
Kingscliff	Cnr Pearl & Turnock Sts Kingscliff NSW 2487
Kyogle	94 Summerland Way Kyogle NSW 2474
Lismore	Banking & Loans Centre: 101 Molesworth St Lismore NSW 2480
Nimbin	Village Pharmacy, Cullen St Nimbin NSW 2480
Ocean Shores	Ocean Village Shopping Centre, Rajah Rd Ocean Shores NSW 2483
University	Goodman Plaza, Southern Cross University, Military Rd, Lismore NSW 2480

2013 Sustainability Report

Business sustainability recognises the impact of businesses on their communities from a financial, social and environmental perspective. Meeting our present needs within these areas without compromising the needs of future generations is central to business sustainability.

This report supports our belief in the need for Summerland Credit Union to be a community leader in business sustainability. Our Sustainability Report complements our Financial Report and provides an overall view of how we endeavour to be a sustainable business.

Our strong commitment to engaging with our members and community is the basis for this report and our commitment to sustainability extends throughout the organisation.

Through our dedicated people and rigorous procedures we endeavour to meet or exceed high standards of service to our members.

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.

Our Approach

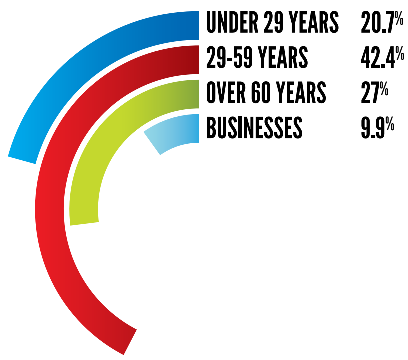
Sustainability

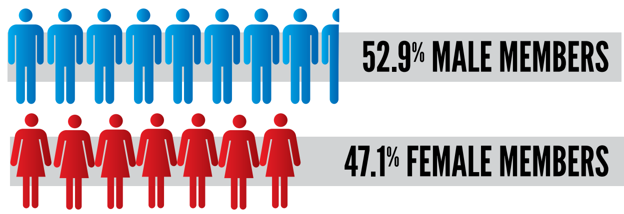
"Sustainability provides a way for us to achieve environmental, economic and social outcomes, without limiting resources for future generations." NSW Office of Environment & Heritage

Our Board, management and staff recognise sustainability principles and intergenerational equality as being significant factors in business planning, operation and our credit union culture.

Our Members

Member Profile





Members as owners

We ensure that we communicate information on the benefit, cost and impact of changes to the business structure.

Communicating to members

Members are kept up to date with news and events via our Summerland Lifestyle newsletter every six months. Other methods of connecting are 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; and
- our free seminar series.

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

Fair and ethical

We have integrated the principles of the Customer Owned Banking Code of Practice into the credit union. 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 members' 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

Transparency of products and services

At Summerland, we ensure that our advertising and promotional material does not mislead, deceive or is otherwise irresponsible. Our staff are committed to ensuring that members are not misled or confused in their discussions about our products and services.

In all communications with members we ensure that information about our products and services is readily available, well presented and written in plain language. Our Combined Financial Services Guide and Product Information Booklet, Schedule of Fees and Charges and third party Product Disclosure Statements are always promptly provided to members to allow them to make informed decisions and ensure consistency with any legal requirements.

Our standard Terms and Conditions are clear, unambiguous, and not misleading. Summerland strives to strike a fair balance between our members' legitimate needs and interests and the credit union's interests and obligations, including prudential obligations.

Our fees and charges are regularly reviewed and we ensure that any exception fees are reasonable.

All incidents of non-compliance are reported to our Board and any material breaches of legal or prudential obligations are reported to our Regulators.

Responsible lending practices

We always act as a responsible lender, as outlined in the Customer Owned Banking Code of Practice and reinforced by our values, and always promote the responsible use of credit to our members.

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

'In providing financial product advice to a member, Summerland will aim to act in the best interests of the member in relation to the advice we provide, even where we are not under a legal duty to do so. A member who is given advice should be left in a better position than they were in before the advice was given.'

Member complaints

Summerland strives to offer members the best service and products. Our *How to Make a Complaint* brochure is available at all branches and on our website. Members can complete a Member Complaint Form online or ask our branch staff for a copy. Our Dispute Resolution Officer handles all of our member complaints and works to ensure that our complaint handling process is prompt and efficient as well as consistent with law, industry codes and best practice.

Summerland is also a member of the Financial Ombudsman's Service (FOS).

Member information privacy and security

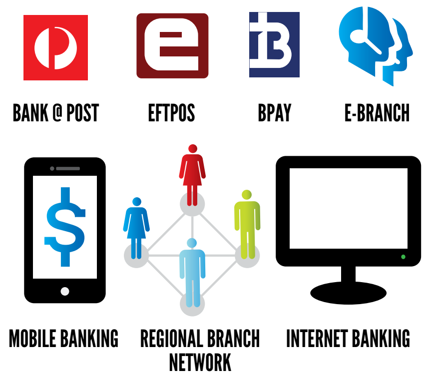
Summerland respects our members' privacy. We comply with the *Privacy Act 1988* (Cth) and its credit reporting provisions, as well as the National Privacy Principles.

We comply with laws relating to retention of personal information about a member and actively promote awareness of security issues.

Service, safety and security of the credit union

As an eligible Authorised Deposit-taking Institution, the Australian Government Financial Claims Scheme automatically applies to Summerland members' 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. We offer access to accounts via



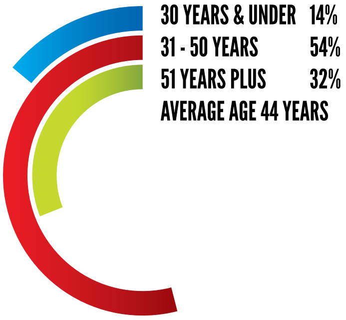
Summerland's 13 branches are located across the Far North Coast of NSW and southern Qld Gold Coast, providing face-to-face service to all members in a safe, friendly and comfortable environment. Our branch staff are selected to provide outstanding service and receive ongoing training to enhance their skills. Staff are trained to deal with medical and security emergencies which may arise at a branch using comprehensive documented policies and procedures. We also have our eBranch for telephone and online support.

Our Employees

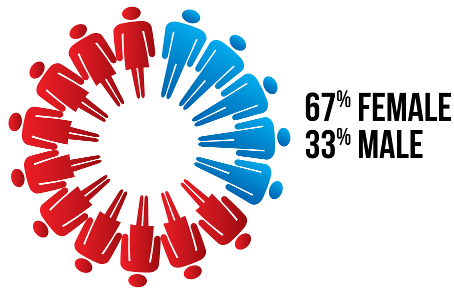
The employees at Summerland are considered our greatest asset so it's important that we assist and support their careers, as well as their life outside of work. Summerland is flexible to the needs of our employees and our fun, friendly work atmosphere helps to build team spirit.

Employee Profile

Fulltime employees	64 (65%)
Part time employees	35 (35%)
Total	99
**Fulltime equivalent is*	*93.1*



EXECUTIVE & SENIOR MANAGEMENT



Listening to employees

All employees are regularly informed and consulted about business performance and key decisions that are likely to affect them.

Managers and Team Leaders are approachable and regular feedback from all employees is always encouraged.

Communication includes the following:

- Employees are kept up to date and encouraged to provide input through our Intranet regarding Summerland initiatives, changes, updates and events
- During implementation of new projects or systems by the credit union, forums are created where there is two-way communication on issues related to the project
- A bi-monthly staff newsletter that provides information to employees on health and wellbeing, fun activities and news
- An *Ideas* button that is included on the Intranet, where staff can make recommendations for changes within the credit union
- Annual strategic plan presentations
- Staff Survey
- Staff Sustainability Survey

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.

Staff have a number of tools that can be used to advise of WHS issues including the WHS database or notifying their WHS representative. The minutes of the WHS Committee meetings are available on the Intranet so staff can see the outcome of discussions.

As part of our WHS program we consult with our employees in implementing safety practices and systems that ensure the health, safety and wellbeing of our employees. 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.

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; and
- leadership and management.

Staff support and promote the Customer Owned Banking Code of Practice.

New staff are encouraged to study, and existing trainees are supported in completing their higher and tertiary education.

In 2012-13, the following proportions of total staff were represented in formalised training & development, some of which are through traineeships.

- Diploma of Management – 2%
- Certificate IV Frontline Management – 7%
- Certificate IV Financial Services – 1%
- Diploma Credit Management – 3%
- Cert IV IT – 1%

Staff benefits

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

Staff Conference Day: Summerland held a conference day for all employees on the August Bank Holiday with guest speakers and fun activities.

Above award wages: each position's wage rate is reviewed each year to ensure that Summerland maintains salaries that are commensurate with the industry.

Employee Assistance Program: Summerland offers professional, confidential counselling assistance for employees and their immediate family who may need help with particular problems affecting their wellbeing, both personally and in the workplace.

Subsidised flu vaccinations are available each year for all employees.

Paid leave is available to donate blood.

Subsidised quit smoking programs: reimbursing employees for the initial purchase of quitting aids.

Flexible working arrangements such as part time employment, including part time hours returning from maternity leave and leading up to retirement.

Christmas leave of three days additional annual leave per year is granted to employees, subject to Board approval.

Applications for career breaks of up to twelve months unpaid leave for things such as study, travel and personal development can be submitted.

Concessional interest rates: employees are eligible for a reduced interest rate after six months service, subject to lending criteria.

Certain fee exemptions also exist.

Payroll deductions such as salary sacrificing arrangements and automatic deductions from pays are available.

A uniform allowance is available each financial year for the purchase of registered corporate uniforms. A second hand uniform pool is also available to purchase uniforms at reduced prices.

Incentive scheme: if Key Performance Indicators and behavioural objectives are achieved then employees receive an annual bonus payment.

Staff volunteering program

To support the communities in which we work, we have established a staff volunteering program. The program is designed to foster an awareness amongst staff of the value of their skills and personal contributions and the need within the community to support understanding and acceptance.

Volunteering with various charities or other community groups enables staff to learn more about a range of community issues, and contribute more to local communities. 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:

- CUFA
- Meals on Wheels
- Autism Spectrum Australia
- Indigenous Networking Group
- Ballina Relay for Life
- Local Schools and Shows
- Dune Care groups
- Surf Lifesaving Australia
- Neighbourhood Watch
- Blood Donation
- Sporting groups
- Northern Rivers Kidney Association

Our Workplace

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 our

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

Summerland takes a zero tolerance stance on workplace bullying.

Workplace injuries

The total number of workplace injuries resulting in workers compensation claims for 2012-13 was 5.

WGEA

Summerland submits an annual report to the Workplace Gender Equality Agency (WGEA). Equal Opportunity in a workplace context means that all employees have equal access to the opportunities that are available at work. This means that all employees are treated with fairness and respect.

The WGEA report details Summerland's actions in the previous twelve months, our evaluation of those actions and the future actions we intend to complete on:

- Workplace profile statistics
- Recruitment and selection
- Training, promotion, transfer and development of staff
- Work organisation
- Conditions of service
- Sex based harassment
- Pregnancy and breastfeeding

Workplace dispute resolution

Summerland fosters good relations amongst employees and between employees and management.

Problems can arise from time to time and these are resolved within the established conflict resolution process outlined in our conflict resolution and grievance procedures and policies. These resources provide a fair, just and constructive mechanism for dealing with workplace conflict and complaints.

Employees are encouraged to discuss any issues with their Team Leader or the Human Resources department and Summerland has had no instances in the past twelve months of employee complaints that have not been resolved.

Freedom of association

Summerland respects the right of employees to have freedom of association. Associations, such as the Financial Services Union, are available for staff to join.

Supporting human rights

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

2012-13 has been another successful year for CUFA, with close to 4 million people reached through CUFA's work. Some of the key highlights of the year are:

- CUFA started a resettlement project in Cambodia called the RIEL Project (Reaching Independent Economic Life) that commenced in December 2012 to help those resettled from the Railways Rehabilitation Project manage their finances and start a better life.
- CUFA provided support to 300 credit unions in Myanmar.
- 13 Pacific Island countries participated in the Pacific Credit Union Technical Congress in Nadi, Fiji where delegates came together to learn and discuss the credit union movements in their country.
- The joint initiative with Summerland Credit Union's Banking on Football ran in June helping raise funds for disadvantaged children in Cambodia.
- The Oceania Confederation of Credit Union Leagues (OCCUL) provided technical support visits to 8 Pacific Island countries and their credit union movements.
- Taught 12,000 children in Cambodia how to save and manage their money through the Children's Financial Literacy program.
- Found support for more Village Entrepreneurs and their small businesses in Timor Leste and Cambodia.

Our Community

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.

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 and Credit Union Foundation Australia.

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

Summerland's Cash4Clubs/Cash4aCause Community Donation Programs provide an opportunity for Clubs/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 varied outdoor carnivals and events. A range of promotional items are also provided to clubs and groups to assist in their fundraising, festivals and events.

Our Environment

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

On the journey toward environmental sustainability Summerland continued to be a partner in the NSW Government's Sustainability Advantage Program during 2012-13.

Summerland continues to work with Sustainability Advantage which encompasses actions aimed at:

- integrating environmental strategies with business planning;
- using resources more efficiently;
- engaging staff to become an employer of choice;
- enhancing member, supplier and community relationships;
- measuring and managing our carbon footprint;
- managing any environmental risk and ensuring compliance.

The credit union has achieved Bronze Partner status in the program, and is on the path toward Silver Partner in mid 2013. A range of practices, procedures and products have been implemented aimed at reducing our impact on the environment and establishing an environmentally sustainable business.

The changes achieved against our benchmarks in power, fuel, air travel, paper and toner, and waste management are included below.

Suppliers

Where possible, as part of our operational procedures, goods and services used by the credit union are purchased locally.

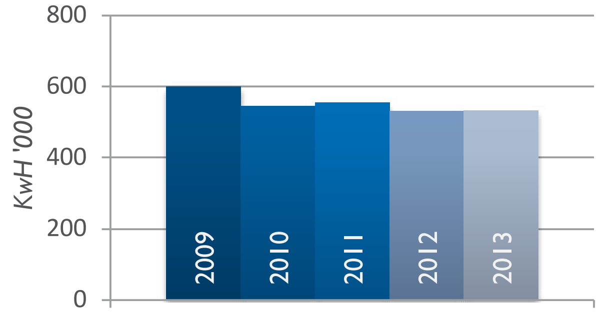
Summerland conducts a Contractor Safety and Environmental Induction Program for any project works and maintenance conducted on any credit union premises by external contractors, sub-contractors and their employees.

Energy consumption

Electricity

In 2012-13 the credit union used a total of 532,681 KwH of electricity. Currently, all our electricity comes from non renewable sources.

Total KwH usage has consistenty decreased from 2009 when usage was 599,275 KwH of electricity.

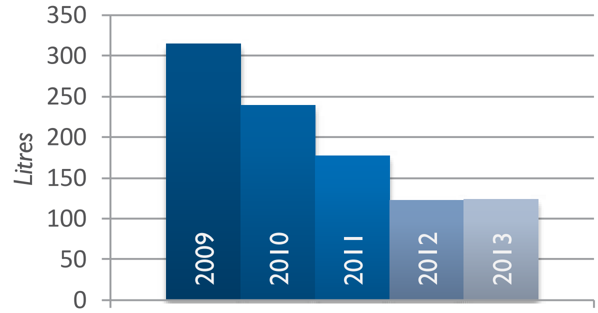


Energy Consumption

Vehicles

The corporate vehicle fleet used 11,569 litres of fuel. This equates to 124 litres per FTE staff member.

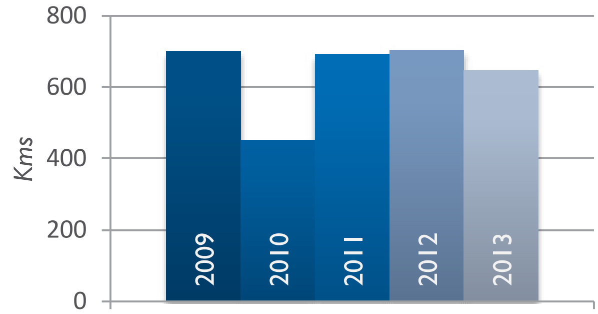
Higher fuel efficient vehicles replace older vehicles as part of the purchasing plan, moving progressively to hybrid or diesel vehicles.



Fuel Consumption per FTE Staff

Air Travel

Travel by air in 2012-13 consisted of flights covering 60,195 kms. Per full time equivalent staff member, this equates to 646 kms each.



Air Travel per FTE Staff

Equipment

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

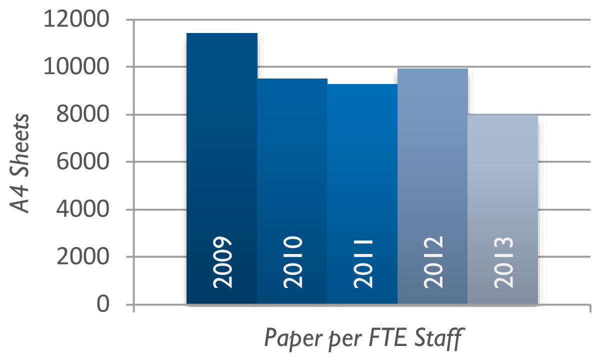
Materials

Paper

Efficiencies in paper usage continue to be encouraged through the use of electronic copies of Committee and Board reports, eStatements and eNewsletters to members. Summerland members utilising digital copies of statements in 2012-13 was 19.1% of total membership.

Total paper usage for the 2012-13 year, including paper statements to members, was 740,094 sheets of normal copy paper. Per full time equivalent staff member this equates to 7,950 sheets.

Paper waste reduction initiatives, originating from staff suggestions, continue to be encouraged throughout all branches and Head Office.



Toner

Summerland purchased 84 toner cartridge units during 2012-13. This was a 19% reduction on last year's usage.

We use re-manufactured toner cartridges, which are manufactured using up to 20 times less energy than equivalent new cartridges.

We participate in a Toner Cartridge Recycling Program through Cartridge Rescue.

Printing

Efficiencies in internal printing requirements have been achieved by:

- Paperless Purchase Order system for incoming goods and services
- No paper vouchers for deposits and withdrawals in branches
- Removal of paper-based payslips, timesheets, rosters, leave applications
- Use of on-line loan application forms and contracts
- Double-sided printing of internal documents where possible
- Elimination of a variety of paper-based forms by our staff
- Online ordering of office stationery for all branches and Head Office
- All faxes received into Summerland's Lismore administration building arrive via the fax/email gateway. They are received electronically and distributed using email. No paper is used in this process.

Our externally-produced brochures, newsletters, forms and letterheads are printed on an FSC certified paper which has come only from sustainable forests and contains no elemental chlorines. The paper has been produced under the international standard ISO 14001 and the printing uses vegetable based inks only.

Waste management

All waste from Head Office and Lismore Branch is sorted into multi stream recyclables, organics and non-recyclable waste onsite.

The credit union participated in the NSW Bin Trim program in 2013 which included general waste audits conducted in branches and waste minimisation feedback for action by staff.

The opportunity for waste streaming for our branches from Grafton to Coolangatta varies according to relevant local council regulations.

2013 Financial Report

Directors' Report

Your Directors present their report on the credit union for the financial year ended 30 June 2013.

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
Chair, Executive Committee
Member, Assessment, Remuneration & Training 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.

Graeme Green

Dip FS, FAMI

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

Graeme Green has had 28 years of credit union experience, including as Chief Executive Officer, and in Senior management for a further 3 years.

He has served on numerous management boards and working committees within the credit union industry for more than 35 years.

John Shanahan

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

Director since 2008
Member, Executive Committee
Chair, Audit and Risk Committee
Member, Assessment, Remuneration & Training 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.

Graham Olrich

Dip FS, Dip FS CUD, FAICD, FAMI

Director since 2010
Member, Audit and Risk Committee
Chair, Assessment, Remuneration & Training 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 Group.

Paul Spotswood

B.Ec

Director since 2010
Chair, Horizons Committee

Paul Spotswood is currently a Sales Director for APN Australian regional Media across Northern New South Wales. Until recently he 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. He is also Vice President 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 CEO of Regional Development Australia-Northern Rivers, and is also 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.

Margot Sweeny

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

Chief Executive Officer since 1999
Summerland Credit Union 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), the development agency for the Australian Credit Union Movement; Director of Customer Owned Banking Association, the peak industry body for Australian mutuals. Margot is also the patron of the Friends of the Koala Care Foundation in the Far North Coast of NSW.

Rebekka Battista

Director since 2012
Member, Horizons Committee

Rebekka Battista is an active community member and guest 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 experience as a small business proprietor in the hospitality industry.

Director's meeting attendance

Director	Board of Directors		Audit & Risk Committee		Assessment, Remuneration & Training Committee		Horizons Committee	
	E	A	E	A	E	A	E	A
Nicolas Harrison	7	7			3	3		
Graeme Green	7	7	4	4				
John Shanahan	7	7	4	4	3	3		
Graham Olrich	7	7	4	4	3	3	3	3
Katrina Luckie	7	6	4	4				
Paul Spotswood	7	5					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 members 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 $2.9m (2012: $3.4m).

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 members, 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 2013 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

K R Franey (Partner)
Registered Company Auditor

Lismore 18 September 2013

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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 that there are adequate plans and procedures for succession planning
- Monitoring policies and procedures in place to ensure that 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
- Assessment, Remuneration and Training 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 has been developed.

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 Board Audit and Risk 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 Board Audit and Risk 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 Risk Management Committee is to identify, analyse, treat, monitor and communicate information gathered for the benefit of the credit union and its members.

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 any recommendations for Board approval.

Assessment, remuneration and training committee

The responsibilities of the Assessment, Remuneration and Training 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 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 on 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 (5) member elected Directors and a maximum of eight (8) 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 member-owned organisation, Directors must also be members. 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 (8) 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 member 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.

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. 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 periodically reviewed by nominated Directors 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 members 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 members. 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
Chairman

Mr Graeme Green
Vice Chairman

Lismore 18 September 2013

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		$'000	$'000
REVENUE			
Interest income	2	32,972	36,259
Interest expense	2	(20,162)	(22,769)
NET INTEREST INCOME		12,810	13,490
Non-interest income	3	4,772	4,685
EXPENSES			
Impairment expense	13	(360)	(220)
Employee benefits expense	4	(6,404)	(6,339)
Occupancy expense	4	(588)	(531)
Depreciation and amortisation expense	4	(780)	(741)
Other expenses	4	(5,348)	(5,579)
PROFIT BEFORE INCOME TAX		4,102	4,765
Income tax expense	5	(1,210)	(1,409)
PROFIT FOR THE YEAR		2,892	3,356
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit and loss			
Gain/(Loss) on cash flow hedges taken to equity		51	71
Items that will not be reclassified to profit and loss			
Movement in fair value of land and buildings		(20)	(86)
OTHER COMPREHENSIVE INCOME FOR THE YEAR NET OF TAX		31	(15)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,923	3,341
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO MEMBERS OF THE CREDIT UNION		2,923	3,341

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

Balance Sheet

AS AT 30 JUNE 2013

	Note	2013	2012
		$'000	$'000
ASSETS			
Cash and cash equivalents	8	28,724	25,513
Trade and other receivables	9	2,448	1,286
Other assets	10	350	226
Financial assets held to maturity	11	78,981	57,865
Financial assets available for sale	12	1	1
Loans and advances to members	13	448,300	452,244
Property, plant and equipment	16	4,187	4,429
Investment property	17	5,426	5,207
Deferred tax assets	18	750	621
Intangible assets	19	901	936
TOTAL ASSETS		570,068	548,328
LIABILITIES			
Deposits	20	505,434	494,367
Trade and other payables	21	13,722	7,098
Derivatives	15	67	103
Current tax liability	22	28	152
Deferred tax liabilities	23	750	687
Provisions	24	608	685
Borrowings	25	5,760	4,460
TOTAL LIABILITIES		526,369	507,552
NET ASSETS		43,699	40,776
MEMBERS EQUITY			
Redeemable preference share capital account	26	430	409
Reserves	27	6,557	6,595
Retained earnings		36,712	33,772
TOTAL MEMBERS EQUITY		43,699	40,776

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

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	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 2011	389	1,376	860	(11)	1,919	2,446	30,456	37,435
Profit for the year	-	-	-	-	-	-	3,356	3,356
Other comprehensive income	-	-	-	(86)	-	71	-	(15)
Transfers to / from retained earnings:								
- Redeemable preference share account	20	-	-	-	-	-	(20)	-
- Reserve for credit losses	-	-	-	-	20	-	(20)	-
BALANCE AT 30 JUNE 2012	409	1,376	860	(97)	1,939	2,517	33,772	40,776
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

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 2013

	Note	2013	2012
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		33,138	36,247
Other income		3,541	5,680
Interest paid		(19,416)	(22,978)
Payments to suppliers and employees		(7,087)	(12,096)
Movement in operating assets and liabilities			
Net increase in member loans		3,708	(21,705)
Net increase in member deposits		11,066	32,341
		14,774	10,636
Income taxes paid		(1,400)	(1,344)
Net cash provided by operating activities	36 (c)	23,550	16,145
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for investments		(21,116)	(2,877)
Payment for property, plant and equipment		(247)	(267)
Payment for intangibles		(256)	(467)
Proceeds - sale of non-current assets		(20)	71
Proceeds - sale of financial assets		-	-
Net cash used in investing activities		(21,639)	(3,540)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1,300	-
Net cash provided by financing activities		1,300	-
Net increase in cash and cash equivalents held		3,211	12,605
Cash and cash equivalents at the beginning of the financial year		25,513	12,908
Cash and cash equivalents at the end of the financial year	36 (a)	28,724	25,513

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 2013

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 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) Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances held in Authorised Deposit-taking Institutions (ADIs) and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risks of changes in their value, and are used by the credit union in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

(c) Loans and advances to members

Loans and advances to members 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.

When the credit union is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of an asset to the lessee, the arrangement is presented within loans and advances.

When the credit union purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date, the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the credit union's financial statements.

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.

(d) 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.

(e) Deposits

Member 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.

(f) 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.

(g) Revenue

Loan Interest Revenue

Loan interest is calculated on the daily loan balance outstanding and is charged in arrears to the members' loan account 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 members 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.

(h) 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.

(i) 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

Loans which are subject to renegotiated terms which would have otherwise been impaired do not have the repayment arrears diminished and interest continues to accrue to income. Each 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 from claims 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.

(j) 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 $0.32m (2012: $0.34m) 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 to members. The amount of securitised loans under management at 30 June 2013 is $4.27m (2012: $5.31m).

(k) 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%
Computer Software	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.

(l) 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.

(m) 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 2013 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

(n) 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 – 10 years.

Other Intangible Assets

Other intangible assets include product development costs and BSB (Bank-State-Branch) number establishment costs. Product development costs have a finite life and are typically amortised over a period not exceeding five years. BSB establishment costs have an indefinite life and are not amortised by the credit union.

(o) Leases

Leases of property, plant and equipment, other than operating leases, where substantially all the risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the credit union are classified as finance leases.

Finance leases are capitalised recording an asset and a liability equal to the lower of the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values.

Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period. Leased assets are depreciated on a straight-line basis over their estimated useful lives.

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.

(p) Employee benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

(q) Superannuation contributions – accumulation fund

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

(r) 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 15.

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.

(s) Comparative figures

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

(t) 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 receovered 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.

(u) 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 2013 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.*
13	Fair Value Measurement *This Standard defines fair value and sets out, in a single Standard, a framework for measuring fair value and related disclosures. This Standard is not expected to significantly impact the credit union.*
2011-8	Amendments to Various Australian Accounting Standards arising from the introduction of AASB 13 *The main change arising from this Standard is the requirement for the credit union to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit and loss subsequently. Not likely to materially impact the credit union.*
2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Disclosure Requirements *Amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs.* *Such disclosures are more in the nature of governance disclosures that are better dealt with as part of the Corporations Act 2001.*

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

AASB	Title
10	Consolidated Financial Statements
11	Joint Ventures
12	Disclosure of Interest in Other Entities
119	Employee Benefits (changes to reporting for defined benefit plans)
127	Separate Financial Statements
128	Investments in Associates and Joint Ventures
1053	Application of Tiers of Australian Accounting Standards
1055	Budgetary Reporting
2010-10	Amendments to Australian Accounting Standards – Removal of Fixed Rates for First Time Adopters
2011-2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements
2011-11	Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements
2012-1	Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements
2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)
2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)
2012-4	Amendments to Australian Accounting Standards – Government Loans (Amendments to AASB 1 'First-time Adoption of International Financial Reporting Standards')
2012-7	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements
2012-9	Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039
2012-10	Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments
2012-11	Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments
2013-2	Amendments to AASB 1038 – Regulatory Capital

(v) Date of issue

The financial report was authorised for issue on 18 September 2013 by the Board of Directors.

NOTE 2

Interest Income and Interest Expense

	2013	2012
	$'000	$'000
(a) Interest revenue		
Cash and cash equivalents	502	254
Financial assets held to maturity	3,681	3,592
Loans to members	28,617	32,142
Derivatives	172	271
TOTAL INTEREST INCOME	32,972	36,259
(b) Interest expense		
Deposits	19,517	22,086
Borrowings	420	403
Derivatives	225	280
TOTAL INTEREST EXPENSE	20,162	22,769

NOTE 3

Revenue

INTEREST INCOME	32,972	36,259
NON-INTEREST INCOME		
Fees and commissions	3,626	3,625
Bad debts recovered	16	27
Income from property (rents)	717	710
Fair value increase - investment property	206	144
Profit on sale of non-current assets	4	21
Other	203	158
TOTAL NON-INTEREST INCOME	4,772	4,685
TOTAL REVENUE	37,744	40,944

NOTE 4

Profit Before Income Tax Expense

	2013	2012
	$'000	$'000
Profit before income tax expense has been determined after:		
EXPENSES		
Interest expense	20,162	22,769
NON-INTEREST EXPENSES		
Impairment of assets		
- loans and advances	360	220
Employee benefit expenses	6,404	6,339
Occupancy expenses	588	531
DEPRECIATION AND AMORTISATION EXPENSE		
Depreciation expense		
- buildings	85	85
- plant and equipment	242	245
Amortisation expense		
- software	291	194
- leasehold improvements	162	217
	780	741
OTHER EXPENSES		
Fees and commissions	1,627	2,001
General and administration expenses	371	345
IT expenses	1,280	1,177
Other operating expenses	1,558	1,563
Rental expense on operating leases	512	493
	5,348	5,579
TOTAL NON-INTEREST EXPENSES	13,480	13,410
TOTAL EXPENSES	33,642	36,179

NOTE 5

Income Tax

	2013	2012
	$'000	$'000
Prima facie tax payable on profit at 30% (2012: 30%)	1,230	1,429
ADJUST FOR TAX EFFECT OF:		
Capital allowance deduction	(20)	(20)
Income tax expense attributable to the entity	1,210	1,409
Applicable weighted average effective tax rate	30%	30%
The components of income tax expense comprise:		
Current tax	1,289	1,432
Deferred tax	(79)	(23)
	1,210	1,409

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:

	2013	2012
DEFERRED TAX		
Net movement on revaluation of land and buildings	3	(28)
Net movement on revaluation of cash flow hedges	10	25
	13	(3)

IMPUTATION CREDITS

	2013	2012
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% (2012: 30%)	10,428	9,658

NOTE 6
Remuneration of Auditors

	2013	2012
	$'000	$'000
Remuneration of the auditor for:		
• Auditing or reviewing the financial report	55	53
• Other services		
- taxation services	6	6
- compliance	15	18
Remuneration of other auditors:		
• Internal audit	70	70
	146	147

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 members of the executive and senior management responsible for the day-to-day financial and operational management of the credit union.

	2013	2012
	$'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	1,205	1,111
(b) Post-employment benefits - superannuation contributions	68	101
(c) Other long-term benefits - net increases in long service leave provision	16	12
	1,289	1,224

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 members 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 (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.

	2013	2012
	$'000	$'000
The aggregate value of loans to KMP as at balance date amounted to	1,914	2,029
The total value of revolving credit facilities to KMP as at balance date amounted to	18	18
Less amounts drawn down and included above	(3)	(11)
Net balance available	15	7
During the year the aggregate value of loans and revolving credit facilities disbursed to KMP amounted to	322	355
Interest and other revenue earned on loans and revolving credit facilities to KMP	129	142

(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 members of the credit union.

Total value of term and savings deposits from KMP	206	222
Total interest paid on deposits to KMP	4	8

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 members 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

	2013	2012
	$'000	$'000
Cash on hand	1,403	1,347
Deposits with ADIs	27,321	24,166
	28,724	25,513

The effective interest rate on short-term bank deposits was 2.28% (2012: 4.28%); these deposits are all at call.

NOTE 9

Trade and Other Receivables

Accrued interest	822	988
Other receivables	40	47
Sundry debtors	1,586	251
	2,448	1,286

NOTE 10

Other Assets

Prepayments	350	226

NOTE 11

Financial Assets Held to Maturity

Deposits with ADIs	78,981	57,865

The effective interest rate on financial assets held to maturity was 3.73% (2012: 5.44%); 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 to Members

	2013	2012
	$'000	$'000
Gross loans and advances	448,875	452,592
Unamortised loan fees	(47)	(57)
	448,828	452,535
Provision for impairment	(528)	(291)
Net loans and advances	448,300	452,244

NOTE 14
Impairment of Loans and Advances

(a) Provisions for impairment

Opening balance	291	256
Impairment expense	361	220
Bad debts written off	(124)	(185)
Closing Balance	528	291

(b) Provision for impairment calculation

Provision prescribed by Prudential Standards	244	202
Additional impairment provision	284	89
Closing Balance	528	291

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.

	Overdrafts	Unsecured loans	Secured loans
Period of impairment	% of balance	% of balance	% of balance
Up 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

	2013	2012
	$'000	$'000

(c) Impairment expense

Movement in provisions for impairment	361	220
Bad debts written off directly to profit	-	-
	361	220

(d) Assets acquired from loan recovery

There were no 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 members to repay the debts have been exhausted.

(e) Loans and advances by impairment class

Net impaired loans – refer 14(f)	920	1,545
Past due but not impaired – refer 14(g)	18,526	18,698
Neither past due or impaired – refer 14(h)	428,854	432,001
	448,300	452,244

(f) Impaired loans and advances to members

	2013	2012
	$'000	$'000
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	1,228	1,392
- Investment housing loans	37	260
- Overdrafts	21	25
- Other personal purpose	141	148
Commercial	21	11
	1,448	1,836
Provision for impairment	(528)	(291)
Carrying amount	920	1,545

(g) Past due but not impaired loans and advances to members 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 14(i) for details of security held. Past due values are the 'on-balance sheet' loan balances.

	2013	2012
AGING ANALYSIS		
1 to 89 days	17,112	17,260
90 to 181 days	700	1,365
182 to 272 days	578	73
273 to 364 days	-	-
365 days or more	136	-
Carrying amount	18,526	18,698
CREDIT RATING ANALYSIS		
Household		
- Owner occupied housing loans	13,454	13,880
- Investment housing loans	3,218	1,734
- Overdrafts	267	776
- Other personal purpose	602	418
Commercial	985	1,890
Carrying amount	18,526	18,698

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

	2013	2012
	$'000	$'000
Household		
- Owner occupied housing loans	276,659	281,687
- Investment housing loans	90,379	87,812
- Overdrafts	2,638	2,459
- Other personal purpose	33,270	36,398
Commercial	25,908	23,645
Carrying amount	428,854	432,001

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

(i) Loans and advances to members by impairment and security

	2013	2012
(i) Against individually impaired		
- Secured by mortgage over real estate	1,265	1,652
- Partly secured by goods mortgage	68	53
- Unsecured	115	132
(ii) Against past due but not impaired		
- Secured by mortgage over real estate	17,707	18,075
- Partly secured by goods mortgage	319	254
- Cash	0	5
- Unsecured	500	363
(iii) Against neither past due nor impaired		
- Secured by mortgage over real estate	415,816	415,540
- Partly secured by goods mortgage	5,929	8,204
- Cash secured	179	203
- Unsecured	6,930	8,054
	428,854	452,535

	2013	2012
	$'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%	382,576	385,916
- more than 80% but mortgage insured	38,895	37,128
- more than 80% and not mortgage insured*	13,318	12,223
	434,789	435,267

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

Some loans that were previously past due or impaired have been renegotiated by the credit union and are no longer regarded as impaired. Details of these loans are:

Book value of restructured loans at balance date	10,671	9,810
Book value of restructured loans which are well secured	10,446	9,678
Book value of restructured loans which are not well secured	225	132

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

NOTE 15

Derivatives

Liability

Interest rate swap contracts - cash flow hedge	67	103

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 6.21%. 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 2.82% (2012: 3.49%).

At 30 June 2013, the notional principal amounts and periods of expiry of the interest rate swap contracts are as follows:

Less than 1 year	-	2,000
1 – 2 years	4,000	-
2 – 3 years	-	4,000
	4,000	6,000

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.

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)	-

2012	**Within 1 year**	**1-2 years**	**2-3 years**
	$'000	$'000	$'000
Cash inflows	201	141	35
Cash outflows	240	164	41
Net cash flows	(39)	(23)	(6)

NOTE 16

Property, Plant and Equipment

	2013	2012
	$'000	$'000
LAND		
At fair value	315	315
BUILDINGS		
At fair value	3,459	3,428
LEASEHOLD IMPROVEMENTS		
At cost	1,229	1,211
Accumulated amortisation	(1,142)	(980)
	87	231
PLANT AND EQUIPMENT		
At cost	1,913	1,899
Accumulated depreciation	(1,587)	(1,444)
	326	455
Total Property, Plant and Equipment	4,187	4,429

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	3,428	455	231	4,429
Additions	-	109	119	18	246
Disposals	-	-	-	-	-
Depreciation expense	-	(89)	(248)	-	(337)
Amortisation expense	-	-	-	(162)	(162)
Revaluations	-	11	-	-	11
Carrying amount at the end of the financial year	315	3,459	326	87	4,187

	2013	2012
	$'000	$'000
If land and buildings were stated at historical cost, amounts would be as follows:		
Cost	9,490	9,368
Accumulated depreciation	(3,998)	(3,763)
Net book value	5,492	5,605

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

NOTE 17

Investment Property

	2013	2012
LAND		
At fair value	1,611	1,436
BUILDINGS		
At fair value	3,815	3,771
Total Investment Property	5,426	5,207

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	1,436	3,771	5,207
Net revaluation increment	175	44	219
Carrying amount at the end of the financial year	1,611	3,815	5,426

NOTE 18

Deferred Tax Assets

	2013	2012
	$'000	$'000
Deferred tax assets comprise temporary differences attributable to:		
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Plant and equipment	188	111
Provision for impairment	158	87
Provision for employee benefits	295	335
Accrued expenses	75	41
Deferred loan fee asset	14	17
	730	591
AMOUNTS RECOGNISED DIRECTLY IN EQUITY		
Hedge reserve	20	30
	20	30
Total deferred tax assets	750	621

NOTE 19

Intangible Assets

COMPUTER SOFTWARE		
At cost	2,224	2,112
Accumulated amortisation	(1,626)	(1,336)
	598	776
Other Intangible Assets	303	160
Total Intangible Assets	901	936

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	776	160	936
Additions	113	143	256
Amortisation expense	(291)	-	(291)
Carrying amount at the end of the financial year	598	303	901

NOTE 20

Deposits

	2013	2012
	$'000	$'000
Member call deposits (including withdrawable shares)	221,390	208,168
Member term deposits	284,044	286,199
	505,434	494,367

Concentration of deposits

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

NOTE 21

Trade and Other Payables

Accrued interest payable on member deposits and borrowings	4,657	3,911
Sundry creditors and accrued expenses	484	152
Employee benefits - annual leave	382	430
Trade creditors	315	197
Member clearing accounts	7,884	2,408
	13,722	7,098

NOTE 22

Current Tax Liability

Current income tax payable	28	152

NOTE 23

Deferred Tax Liabilities

	2013	2012
	$'000	$'000
Deferred tax liabilities comprise temporary differences attributable to:		
Amounts recognised in profit and loss		
Investment properties	441	386
	441	386
Amounts recognised directly in equity		
Land and buildings	309	301
	309	301
Total deferred tax liabilities	750	687

NOTE 24

Provisions

Employee benefits - long service leave	608	685
Rollforward of Provisions		
Opening balance	685	585
Additional provisions raised	(64)	120
Amounts paid	(13)	(20)
Closing balance	608	685
Analysis of liability		
Expected to be settled within twelve months	48	60
Expected to be settled after twelve months	560	625
	608	685

NOTE 25

Borrowings

Subordinated debt	5,760	4,460

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

On the 16th November 2012 the credit union entered into a new agreement for $1.3m with a scheduled maturity date of 10 years.

NOTE 26

Redeemable Preference Share Capital Account

Under the Corporations Act 2001 member 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 27

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 28

Commitments

	2013	2012
	$'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:

	2013 $'000	2012 $'000
Not longer than 1 year	638	474
Longer than 1 and not longer than 5 years	965	409
	1,603	883

Operating lease commitments relate to:

ATM leases which have terms of five years and repayments payable monthly.

Motor vehicle leases which have terms of three years and repayments payable monthly in advance.

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:

	2013 $'000	2012 $'000
Loans approved but not funded	6,473	9,132
Loan redraw facilities available	24,535	20,382
Undrawn overdraft and line of credit	8,753	9,754
Total loan commitments	39,761	39,268

(d) Operating leases receivable

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

	2013 $'000	2012 $'000
Not longer than 1 year	674	618
Longer than 1 and not longer than 5 years	1,350	561
	2,024	1,179

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

NOTE 29

Standby Borrowing Facilities

The credit union no longer has an overdraft facility. (2012: $2m)

NOTE 30

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 members, 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 2013 was Nil (2012: Nil).

NOTE 31

Classes of Financial Assets and Liabilities

	2013	2012
	$'000	$'000

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

(a) Financial assets - measured at amortised cost

	2013	2012
Cash and cash equivalents	28,724	25,513
Trade and other receivables	2,448	1,286
Financial assets available for sale - unlisted shares at cost	1	1
Loans and advances to members	448,300	452,244
Financial assets held to maturity	78,981	57,865
Total	558,454	536,909

(b) Financial liabilities - measured at amortised cost

	2013	2012
Deposits from members	505,434	494,367
Trade and other payables (excluding employee benefits)	13,339	6,668
Borrowings	5,760	4,460
Total	524,533	505,495

(c) Financial liabilities - measured at fair value

	2013	2012
Derivatives	67	103

NOTE 32

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.

	2013	2012
VAR after prepayments and hedges	$102,714	$232,338
VAR as % of capital	0.24%	0.58%

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: Within 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Non Interest Sensitive $'000	Total $'000	Weighted Average Effective Interest Rate
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 to members	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	
Repricing Period at 30 June 2012							
FINANCIAL ASSETS							
Cash and cash equivalents	25,513	-	-	-	-	25,513	3.77%
Trade and other receivables	-	-	-	-	1,286	1,286	
Financial assets available for sale	-	-	-	-	1	1	
Financial assets held to maturity	-	57,865	-	-	-	57,865	5.44%
Loans and advances to members	336,274	53,090	62,880	-	-	452,244	7.24%
TOTAL FINANCIAL ASSETS	361,787	110,955	62,880	-	1,287	536,909	
FINANCIAL LIABILITIES							
Deposits	207,751	273,682	12,517	-	417	494,367	4.56%
Trade and other payables	-	-	-	-	6,668	6,668	
Derivatives	-	-	-	-	103	103	
Borrowings	-	-	4,150	310	-	4,460	8.93%
TOTAL FINANCIAL LIABILITIES	207,751	273,682	16,667	310	7,188	505,598	
OFF BALANCE SHEET ITEMS							
Interest rate swaps	-	2,000	4,000	-	-	6,000	4.66%
Undrawn loan commitments	39,268	-	-	-	-	39,268	

(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 members 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 members. 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				
	2013		**2012**	
Geographical Area	%	**$'000**	%	**$'000**
New South Wales	91	411,068	92	422,073
Queensland	8	37,269	7	33,892
Other	1	4,912	1	4,540

The credit union does not hold any loans to individual members (including associated members) with a value greater than 5% 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	50%	30%
Unrated	15%	20%

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

Actual Rating	**2013** Balance $'000	**2012** Balance $'000
A-1+/AA-	13,530	2,027
A-1/A-	10,445	30,046
A-2/BBB-	57,509	41,935
Unrated -settlement accounts	24,816	8,023
Total	106,300	82,031

(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 member 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 member 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 member 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:

	2013	**2012**
Liquid funds to total adjusted liabilities:		
- As at 30 June	16.52%	14.56%
- Average for the year	16.44%	14.37%
- Minimum during the year	14.13%	12.29%
Liquid funds to total member deposits:		
- As at 30 June	18.35%	16.06%

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 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
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 to members	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
2012							
FINANCIAL ASSETS							
Cash and cash equivalents	-	-	-	-	-	25,513	25,513
Trade and other receivables	-	-	-	-	-	1,286	1,286
Financial assets available for sale	-	-	-	-	-	1	1
Financial assets held to maturity	14,497	28,883	14,485	-	-	-	57,865
Loans and advances to members	3,858	6,446	20,495	37,314	374,261	9,870	452,244
TOTAL FINANCIAL ASSETS	18,355	35,329	34,980	37,314	374,261	36,670	536,909
FINANCIAL LIABILITIES							
Deposits	49,136	71,365	161,642	15,087	-	208,168	505,398
Trade and other payables	-	-	-	-	-	6,668	6,668
Borrowings	-	-	-	5,559	496	-	6,055
Derivatives	-	103	-	-	-	-	103
	49,136	71,468	161,642	20,646	496	214,836	518,225
Undrawn loan commitments	39,268	-	-	-	-	-	39,268
TOTAL FINANCIAL LIABILITIES	88,404	71,468	161,642	20,646	496	214,836	557,493

(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 capital 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 and other disclosed reserves and, following the Basel III changes from 1st January 2013, 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 & more senior creditors.

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 2 years is as follows:

Capital structure	2013	2012
	$'000	$'000
Net Tier 1 Capital	40,970	34,960
Net Tier 2 Capital	4,993	6,343
Total Capital Base	45,963	41,303
Total Risk Weighted Assets	313,543	301,738
Total Capital Ratio	14.66%	13.69%
Tier 1 Capital Ratio	13.07%	11.59%

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

NOTE 33

Valuation of Financial Instruments

The net fair value estimates were determined by the following methodologies and assumptions:

Liquid assets

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

Securities

Financial assets available for sale are carried at net fair value which is based on quoted market prices. However, unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Financial assets held to maturity are carried at amortised cost as these assets are intended to be held until maturity.

Loans and advances

The carrying value of loans, advances and other receivables is net of specific provisions for impairment.

For variable rate loans, excluding impaired loans, the carrying amount is an estimate of the net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at balance date.

Short term borrowings

The carrying value of payables due to other financial institutions approximate their net fair value as they are short term in nature and reprice frequently.

The net fair value of non-interest bearing, call and variable rate deposits, and fixed rate deposits repriced within twelve months is the carrying value as at balance date.

Discounted cash flow models based upon deposit types and related maturities were used to calculate the net fair value of other term deposits.

	2013		2012	
	Carrying value $'000	Net fair value $'000	Carrying value $'000	Net fair value $'000
ASSETS				
Cash and cash equivalents	28,724	28,724	25,513	25,513
Trade and other receivables	2,448	2,448	1,286	1,286
Financial assets available for sale	1	1	1	1
Financial assets held to maturity	78,981	78,981	57,865	57,865
Loans and advances	448,300	448,740	452,244	452,834
LIABILITIES				
Deposits	505,434	507,076	494,367	495,087
Trade and other payables	13,722	13,722	7,098	7,098
Borrowings	5,760	5,760	4,460	4,460
Derivatives	67	67	103	103

NOTE 34
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 35
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 member card transactions on ATMs or 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.

(c) Australian Settlements Ltd

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

NOTE 36

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:

	2013	2012
	$'000	$'000
Cash and cash equivalents	28,724	25,513

(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) customer 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 member loans and the repayment of such loans.

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

	2013	2012
	$'000	$'000
Profit after income tax	2,892	3,356
Non-cash flows in profit after income tax:		
Net Profit/(Loss) on sale of property, plant and equipment		
Revaluation of investment property	(219)	(144)
Depreciation and amortisation	780	741
Provision for loan impairment	236	35
Changes in assets and liabilities		
Increase/(Decrease) in provisions	(76)	100
Increase/(Decrease) in interest payable	746	(209)
(Increase)/Decrease in interest receivable	166	(12)
Increase/(Decrease) in income taxes payable	(123)	86
(Increase)/Decrease in deferred tax assets	(130)	(83)
Increase/(Decrease) in deferred tax liability	63	62
(Increase)/Decrease in other assets	(125)	81
Increase/(Decrease) in trade and other payables	5,892	679
(Increase)/Decrease in trade and other receivables	(1,326)	817
	8,776	5,509
Net increase in member loans	3,708	(21,705)
Net increase in member deposits	11,066	32,341
Net cash provided by operating activities	23,550	16,145

NOTE 37

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 38

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 2013 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 18 September 2013

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 2013, 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 2013 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

K R Franey (Partner)
Registered Company Auditor

Lismore 18 September 2013

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