2014-2015 ANNUAL REPORT

MACQUARIE
CREDIT UNION
a closer connection

ABN 85 087 650 253 | AFSL 241132 | BSB 802 126

OUR MISSION

TO PROVIDE FRIENDLY, PERSONAL AND EFFICIENT FINANCIAL SERVICES AT THE LOWEST POSSIBLE COST TO OUR MEMBERS

PROVIDING FINANCIAL SERVICES TO OUR MEMBERS AT THE LOWEST POSSIBLE COST IS SOMETHING THAT THIS CREDIT UNION PRIDES ITSELF IN ACHIEVING.

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GENERAL MANAGER’S REPORT

YEAR IN REVIEW

2015 has been one of the most exciting and busiest years I have experienced in my years as General Manager. We celebrated our 50 years as a Credit Union, managed through the construction of our wonderful new premises and moved our branch to the new location at 165 Brisbane Street Dubbo. Looking back a lot has been achieved in a short time that could not have been done without the support of our great staff. All these initiatives position the Credit Union for another 50 years to provide the services and products our members are looking for from their financial institution.

The finance industry in 2015 has continued to be challenged by low interest rates creating a squeeze on margins, reduced consumer confidence and it has a direct impact on our depositors. A number of these depositors are self funded retirees, and they are feeling the impact of the reductions in interest incomes. The reports for the Customer Owned Banking Sector suggests that this will continue in the short to medium term however the Credit Union does remain competitive on price, products and services, while of course maintaining a strong capital position.

COMMUNITY SUPPORT

As a Mutual, your Credit Union gives back to members and the community in many ways. These benefits are not only by way of financial assistance, but other forms such as the lending of our marquees and providing staff time to assist with Meals on Wheels each month to name just a few.

To make the support application process simple and consistent we established a sponsorship "apply online" process for individuals and community groups to request assistance. After submitting, each application is assessed via set criteria to ensure the application aligns with the values of the Credit Union and a fair process is applied. This has enabled our community support to be spread across the region and reach many areas in different ways.

In 2015 we were proud to be able to provide funding for ten $1000 scholarships to be available to TAFE Western students from Dubbo and the surrounding area to be used for costs associated with their training such as fees and learning resources. In today's business, education and training are vital for a successful future, so it is exciting to be able to assist by partnering with TAFE Western.

In the last 12 months your Credit Union has supported the following worthy causes:

- Dubbo Meals on Wheels
- Ulysses Toy Run
- Black Dog Ride
- Starlight Foundation
- Breast Cancer Foundation
- Salvation Army
- Red Nose Day
- Bandaged Bear Day
- Cancer Council Daffodil Day
- Genes for Jeans
- Kiss Goodbye to MS
- Dubbo Stampede
- Kailem Barwick Benefit
- St Johns College Golf Day
- Narromine Golf Day for MS
- Wellington Council Golf Day
- Dubbo Base Hospital employee awards

Your Board, Staff and Management are committed to being a valuable corporate citizen and look to assist the community and members in everything they do.

Ulysses Dubbo & Western Plains
Toy Run

Black Dog Ride (raising awareness of depression & suicide prevention)

Dubbo Base Hospital
Employee of the Year Awards

RED NOSE DAY

Cancer Council | Daffodil Day

TAFE NSW WESTERN CHANGING LIVES

Macquarie Credit Union Scholarship Program
Tafe students get a helping hand

Tafe Western

KISS GOODBYE TO MS

the children's hospital at Westmead
MARCH 2015
BANDAGED BEAR APPEAL

Tafe Western

Jeans for Genes®

Starlight children's foundation

DUBBO SHOW

Once again we had our stand at the Dubbo Show in May. We partnered with Taronga Western Plains Zoo to display their Gold Rhino which had been the stand out in the lantern parade during the DREAM festival held in October 2014.

Our colourful stand manned by our friendly and enthusiastic staff brought many favourable comments, and was very successful in continuing to spread the word throughout Dubbo and the surrounding areas of the benefits of belonging to the Credit Union.

Staff gave out over 2,000 balloons and information packs during the three days and ran a competition for five lucky winners to each receive $500 that was drawn in July. This community event is an opportunity for us to meet members and non-members in a fun casual atmosphere and also showcase what the Credit Union has to offer.

NEW MOBILE TECHNOLOGY

We introduced our new mobile website in July 2015 with many features that give members greater access to their banking needs. Our innovative product section provides information and the ability to do banking on the go. Additionally, users now have the ability to apply for any of our products straight from a mobile phone.

The technology also includes other features such as online calculators, news updates, ATM locator, information about the Credit Union and a link to visit the full website.

COMMUNICATING WITH THE COMMUNITY

Over the last 12 months we have partnered with ZooFM and 2DU to use radio as a medium to advertise the Credit Union, showcase our products and inform the community of initiatives like our move to Brisbane Street, our stand at the Dubbo Show and when we have had staff at Dubbo Square.

In July we had the opportunity to be the “Business of the Month” in the Daily Liberal which provided another avenue to promote the Credit Union, its products and services. Both of these initiatives have been valuable in spreading the word about the Credit Union to the Dubbo Local Government Area.

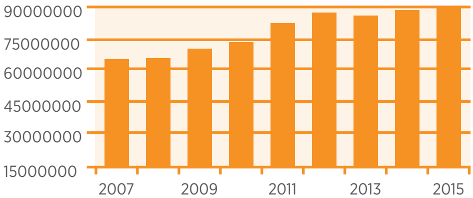
Again in 2015 we supported the “New Residents” programme. This is an initiative organised by Dubbo City Council and we provided information packs, staff on hand and specials for new residents to Dubbo so they are aware of their local Credit Union. The new residents evening was a great opportunity for our staff to meet the “new arrivals” to our community as well.

In closing, I wish to thank all the staff for their tireless work and dedication to their jobs and in particular Leanne Bourne, our Deputy General Manager for her hard work and diligence in supporting my role.

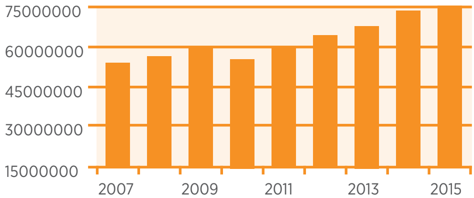
PERFORMANCE OVER TIME

The following graphs provide a simple picture of how the Credit Union has performed over the past few years.

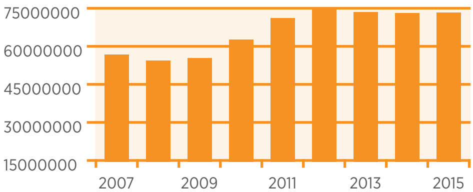
Assets



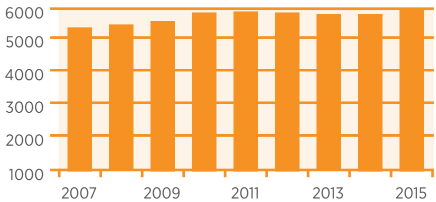
Deposits



Loans



Members



Matthew Bow
General Manager

CHAIRMAN’S REPORT

The past twelve months has been one of constant activity and great celebration for your credit union.

50TH ANNIVERSARY DINNER

We celebrated our 50th year of operation with a dinner at the Dubbo RSL club in November. Many of our previous staff and directors were there, along with quite a few of our long time members. It was particularly pleasing to see three of our founding directors, George McCready, Jock Dunn and Ted Andrews there to share the day with us. It was the vision and passion of all the founding directors that makes it possible for us all to be part of this great organisation today.

Present and past members travelled from all parts of the state, and some from interstate to be a part of the celebrations. The theme of the night was the sixties, and many guests went to a lot of effort to turn out in very authentic sixties costumes.

Guests were welcomed by the Mayor of Dubbo, Matthew Dickerson (also in sixties costume) and were treated a fantastic evening of vintage Beatles music by the cover band The Beatels.

It was a special evening and a great way to celebrate such a significant milestone in our credit union’s history.

NEW OFFICE BUILDING

Last year I mentioned that work had commenced on our new office building in the Dubbo CBD. Construction and internal fit-out was finally completed in June this year and we were able to move in on the weekend of 20/21 June.

The move was planned down to the last detail. The business was operating from our old premises on Friday afternoon and then from the new building (which was completely empty until that stage) the following Tuesday, 23 June. It was a massive effort from our dedicated staff who worked all weekend to carry out the move, and was superbly coordinated by our General Manager, Matt Bow, and his Deputy, Leanne Bourne.

We are now right in the middle of the city of Dubbo and only a couple of minutes’ walk from most businesses situated in the CBD. There is also ample car parking space available right next to the office for members to use throughout the day.

The building itself is very modern in design and the internal décor reflects the bright colours of our logo. Staff and members alike have commented on how it makes for a much better place to work and do business in.

MAJOR SPONSORSHIP

Your Credit Union is the first major sponsor of the DREAM festival which is held in Dubbo over a two week period each October.

With a community focus, the festival welcomes everyone and utilises a range of local facilities and venues to provide free events. It embraces many facets and grows as we celebrate our region, fast becoming a key destination in Australia’s cultural calendar to showcase what we have to offer to interstate visitors.

Last year’s event was an outstanding success, attracting over 11,000 people to the various activities and entertainment including theatre, dance, visual arts and music. The lantern parade and night markets held in Victoria Park provided a brilliant end to the festivities, drawing a crowd of more than 7,000 spectators.

Following this success, we have pledged a further three years’ support as the major sponsor. This is just one of the many ways your Credit Union is supporting the cultural and sporting activities of the community of Dubbo and surrounding areas.

ACKNOWLEDGEMENTS

This year has been a particularly busy one for our staff as they have enthusiastically embraced the extra workload involved in our 50th year celebrations, including our strong presence at the Dubbo show, the DREAM festival, and our move to the Dubbo CBD.

I would like to thank them all for an outstanding effort that has resulted in our Credit Union positioning itself to become one of the major suppliers of banking products and services to the people of the Dubbo region.

They have been ably led as always by our senior management team of Matt Bow and Leanne Bourne, both of whom have now been with Macquarie Credit Union for more than ten years. This stability in our senior management ranks is just one of the important reasons for our continuing success.

Thanks also to all the Directors who have been busy formulating the strategy to take our Credit Union into the future. They are all local people or have strong ties to Dubbo, and so have the advantage of gaining valuable feedback from the community in their everyday lives. This ensures that all the decisions that are made by our Credit Union are what the community needs and wants.

Our representatives at the numerous employer organisations that we serve throughout the state have once again been proven invaluable in forging closer ties between our members and those organisations.

I thank each one of them for their effort in helping to improve the financial wellbeing of their work colleagues by fostering their association with our Credit Union.

CONCLUSION

Now that many of the major changes we have planned in recent years have been implemented, we will be spending quite a lot of time getting our message out to the community of Dubbo and surrounding areas.

Although we know we have the best financial products and services available to local people, non-members need to be given the opportunity to find out about us and improve their lives by becoming members also.

I thank you all for your continuing support and look forward to many more local people taking advantage of our superior banking experience.

Chris Shepherd
Chairman

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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DIRECTORS' REPORT

Your Directors present their report on the Credit Union for the financial year ended 30 June 2015.

DIRECTORS

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

TE Bacon	PM Nolan
J Gray	DAJ Rootes
RK Mills	CJ Shepherd
J Moss	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Matthew Bow – Mr Bow has worked for Macquarie Credit Union Limited for the past ten years and was appointed the General Manager of the Credit Union on 19 November 2007. He was appointed company secretary on 19 November 2007.

PRINCIPAL ACTIVITIES

The principal activities of the Credit Union during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the constitution. There were no significant changes in the nature of the Credit Union's activities during the year.

OPERATING RESULTS

The profit of the Credit Union for the financial year after providing for income tax was $365,000 (2014: $421,000).

DIVIDENDS RECOMMENDED

The Credit Union's constitution does allow the payment of a dividend, but the Directors of the Credit Union have elected not to pay a dividend for the year ended 30 June 2015.

REVIEW OF OPERATIONS

The Credit Union recorded a profit of $365,000 compared to $421,000 in the 2014 year. The directors are very pleased with the result given the uncertain economic conditions in the global economy and low interest rate environment that Australia is currently experiencing.

Interest revenue has decreased by $218,000 (4.5%) to $4,597,000 due to the low interest rate environment and competitive pressures. In turn, this resulted in interest expense decreasing by $247,000 (12%) to $1,818,000 as the Credit Union decreased interest rates on its term deposits to aid in offsetting the lower loan interest rates.

Other revenue has decreased by $21,000 (3.7%) to $541,000. Employee benefits expense has increased by $30,000 (2.8%) to $1,095,000 and other expenses have increased by $72,000 (5.1%) to $1,480,000.

ENVIRONMENTAL ISSUES

The Credit Union's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or State.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

EVENTS AFTER THE REPORTING PERIOD

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

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

During the next financial year the Directors do not expect any significant changes in the operations or services of the Credit Union which will affect the results of the Credit Union.

Further information as to future developments, prospects and business strategies of the Credit Union have not been included in this report as the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable prejudice to the interests of the Credit Union.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments) by reason of a contract made by the Credit Union or a related corporation with a Director or with a firm of which he or she is a member, or with an entity in which he or she has a substantial financial interest.

INDEMNIFYING OFFICERS AND AUDITOR

The Credit Union has a Directors' and Officers' liability insurance policy covering all Directors. The premium paid in respect of this policy in force at the date of this report was $362.

No indemnities have been given or agreed to be given or insurance premiums paid or agreed to be paid, during or since the end of the financial year, for the auditor of the Credit Union.

INFORMATION ON DIRECTORS

The Directors in office at the date of this report are:

Mr C J Shepherd	**Chairman**
Experience	Appointed Chairman 23/10/86 Board Member since 19/04/71
Interest in Shares	One ordinary share in the Credit Union

Mr T E Bacon	**Director**
Experience	Board Member since 1/11/03
Interest in Shares	One ordinary share in the Credit Union

Mr J Gray	**Director**
Experience	Board Member since 10/10/12
Interest in Shares	One ordinary share in the Credit Union

Mr D A J Rootes	**Director**
Experience	Board Member since 30/08/06
Interest in Shares	One ordinary share in the Credit Union

Mr P M Nolan	**Director**
Experience	Board Member since 1/11/03
Interest in Shares	One ordinary share in the Credit Union

Mr R K Mills	**Director**
Experience	Board Member since 22/05/06
Interest in Shares	One ordinary share in the Credit Union

Mr J Moss	**Director**
Experience	Board Member since 24/2/09
Interest in Shares	One ordinary share in the Credit Union

GENERAL BOARD ATTENDANCE

During the financial year the following meetings of Directors were held. Attendances were:

	Board Meetings Eligible to Attend	Board Meetings Attended	Audit Committee Meetings Eligible to Attend	Audit Committee Meetings Attended	Risk Committee Meetings Eligible to Attend	Risk Committee Meetings Attended
TE Bacon	11	6	4	2	4	2
J Gray	11	10	4	4	4	4
RK Mills	11	9	4	4	4	4
J Moss	11	11	4	4	4	4
PM Nolan	11	11	4	4	4	4
DAJ Rootes	11	11	-	-	-	-
CJ Shepherd	11	11	-	-	-	-

PROCEEDINGS ON BEHALF OF CREDIT UNION

No person has applied for leave of Court to bring proceedings on behalf of the Credit Union or intervene in any proceedings to which the Credit Union is a party for the purpose of taking responsibility on behalf of the Credit Union for all or any part of those proceedings.

The Credit Union was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 14 of the financial statements.

NON-AUDIT SERVICES

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

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the audit; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethics Standards Board.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2015:

	$
Taxation services	1,604
Preparation of financial statements	6,020
	$7,624

PRUDENTIAL STANDARD APS 330 – PUBLIC DISCLOSURES

As required by the Prudential Standards, the Credit Union's public disclosures of prudential information are located at www.macquariecu.com.au/aboutus/aps330 Prudential Disclosures.

Signed in accordance with a resolution of the Board of Directors at Dubbo on 2 September 2015 for and on behalf of the Directors by:

Chris Shepherd **John Moss**

AUDITOR'S DECLARATION

Luka Group
ACCOUNTANTS & ADVISORS

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MACQUARIE CREDIT UNION LIMITED

I declare that to the best of my knowledge and belief, during the year ended 30 June 2015 there has been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Luka Group

LUKA GROUP

JM SHANKS
PARTNER

2 River Street
Dubbo
Dated: 2 September 2015

Chartered Accountants

COVER OF EXCELLENCE

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

DIRECTORS' DECLARATION

The Directors of Macquarie Credit Union Limited declare that:

1. The financial statements and notes set out on pages 16 to 62 are in accordance with the Corporations Act 2001; and

    i) comply with Accounting Standards and the Corporations Regulations 2001; and

    ii) give a true and fair view of the financial position as at 30 June 2015 and of the performance for the year ended on that date of the Credit Union.

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

This declaration is made in accordance with a resolution of the Board of Directors and is signed at Dubbo on 2 September 2015 for and on behalf of the Directors by:

Chris Shepherd **John Moss**

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015	2014
		$'000	$'000
Interest revenue	3	4,597	4,815
Interest expense	4	(1,818)	(2,065)
Net interest revenue		**2,779**	**2,750**
Other revenue	3	541	562
Impairment losses on loans and advances	4	(75)	(77)
Employee benefits expense	4	(1,095)	(1,065)
Occupancy expense	4	(108)	(108)
Depreciation and amortisation expense	4	(76)	(81)
Other expenses	4	(1,480)	(1,408)
Profit before income tax expense		486	573
Income tax expense	5	(121)	(152)
Profit for the year after income tax expense		**365**	**421**
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**$365**	**$421**

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Notes	2015	2014
		$'000	$'000
ASSETS			
Cash and liquid assets	7	17,660	17,112
Accrued receivables	8	279	193
Loans and advances	9	71,596	70,473
Other investments	10	163	163
Property, plant and equipment	11	501	99
Intangibles	12	104	84
Deferred tax assets	13	292	240
Other assets	14	68	62
TOTAL ASSETS		**$90,663**	**$88,426**
LIABILITIES			
Deposits and short term borrowings	15	75,655	72,328
Payables and other liabilities	16	602	582
Interest bearing liabilities	17	2,100	3,600
Provisions	18	214	189
TOTAL LIABILITIES		**$78,571**	**$76,699**
NET ASSETS		**$12,092**	**$11,727**
EQUITY			
Reserves	19	479	477
Retained profits	20	11,613	11,250
TOTAL EQUITY		**$12,092**	**$11,727**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2015

	Retained Profits	Credit Losses Reserve	Total
	$'000	$'000	$'000
Balance at 1 July 2013	**$10,813**	**$493**	**$11,306**
Profit for the year	421	-	421
Transfer from reserves for credit loss for the year	16	(16)	-
Total other comprehensive income for the year	-	-	-
Balance at 30 June 2014	**$11,250**	**$477**	**$11,727**
Profit for the year	365	-	365
Transfer from reserves for credit loss for the year	(2)	2	-
Total other comprehensive income for the year	-	-	-
Balance at 30 June 2015	**$11,613**	**$479**	**$12,092**

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015	2014
		$'000	$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest on loans		4,035	4,300
Interest on investments		547	505
Other non-interest income		500	657
Interest paid on members' savings		(1,702)	(1,967)
Interest paid on other finance		(125)	(181)
Payments to suppliers and employees		(2,665)	(2,517)
Income tax paid		(172)	(233)
Members' loan repayments		19,474	15,921
Members' loans' disbursed		(20,673)	(14,472)
Net cash provided by (used in) operating activities	**27.3**	**(781)**	**2,013**
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of property, plant and equipment		-	31
Purchase of property, plant and equipment		(498)	(138)
Net cash used in investing activities		**(498)**	**(107)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net movement in member savings		3,327	5,186
Repayment of borrowings		(1,500)	(3,000)
Net cash provided by (used in) financing activities		**$1,827**	**$2,186**
NET INCREASE/(DECREASE) IN CASH HELD		**$548**	**$4,092**
Cash at beginning of year		17,112	13,020
CASH AT END OF YEAR	**27.2**	**$17,660**	**$17,112**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are general purpose financial statements that have 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.

The financial statements are for Macquarie Credit Union Limited as an individual entity. Macquarie Credit Union Limited is a financial institution, incorporated and domiciled in Australia.

The financial statements of Macquarie Credit Union Limited comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The financial statements were authorised for issue on 2 September 2015 in accordance with a resolution of the Board of Directors.

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

The following is a summary of the material accounting policies adopted by the Credit Union in the preparation of the financial statements. The accounting policies have been consistently applied unless otherwise stated.

1.1 Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

1.2 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 tax rates that have been enacted or are substantively enacted by the reporting date.

Deferred tax is accounted for using the statement of financial position 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 taxation 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.

1.3 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.

Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight line basis over their useful lives to the Credit Union commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Office equipment	33.3% - 50%
EDP equipment	33.3%
Office furniture and fittings	33.3%
Motor vehicles	22%

Assets with a cost less than $1,000 are not capitalised.

1.4 Intangible Assets

Items of computer software which are not integral to the computer hardware owned by the Credit Union are classified as intangible assets, not as part of property, plant and equipment. Computer software is amortised over the expected useful life of the software at 33.3% per year.

1.5 Loans to Members

(i) Basis of Inclusion
All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the

statement of comprehensive income over the period of the loans using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at reporting date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where the recovery of the debt is considered unlikely as determined by the Board of Directors.

(ii) Interest Earned

Term Loans - The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft – The loan interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of the month.

Non-Accrual Loan Interest – while still legally recoverable, interest is not brought to account as income where the Credit Union is informed that the member has deceased, or, where a loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors. Australian Prudential Regulation Authority (APRA) has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 90 days for an over limit overdraft facility.

(iii) Loan Origination Fees and Discounts

Loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

1.6 Loan Impairment

(i) Specific and Collective Provision

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Estimated impairment losses are calculated on either a portfolio basis for loans of similar characteristics, or on an individual basis. The amount provided is determined by management and the Board of Directors to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

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

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

(ii) Reserve for Credit Losses

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

1.7 Bad Debts Written Off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for doubtful debts if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the statement of comprehensive income.

1.8 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, which do not have a ready market and are not capable of being reliably valued, are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

Realised net gains and losses on available for sale financial assets taken to the profit and loss account comprises only gains and losses on disposal.

All investments are in Australian currency.

1.9 Members' Deposits

(i) Basis for Measurement

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

(ii) Interest Payable

Interest on savings is calculated on the daily balance and posted to the accounts periodically, or on maturity of the term deposit. Interest on savings is brought to account on an accrual basis in accordance with the interest rate terms and conditions of each savings and term deposit account as varied from time to time. The amount of the accrual is shown as part of amounts payable.

1.10 Provision for Employee Benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the Credit Union in respect of services provided by employees up to the reporting date.

The provision for annual leave was reviewed with entitlements not expected to be used within twelve months being measured at the present value of the estimated future cash outflows.

Contributions are made by the Credit Union to an employee's superannuation fund and are charged as expenses when incurred. The Credit Union has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

1.11 Cash and Liquid Assets

Cash and liquid assets comprise cash on hand and at call deposits with banks or financial institutions, net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in interest bearing liabilities in the statement of financial position.

1.12 Impairment of Assets

At each reporting date, the Credit Union assesses whether there is an indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in the statement of comprehensive income where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate recoverable amount for an individual asset, recoverable amount is determined for the cash generating unit to which the asset belongs.

1.13 Provisions

Provisions are recognised when the Credit Union has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

1.14 Leases

Leases of property, plant and equipment, where substantially all the risks and benefits incidental to the 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 present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely the Credit Union will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight line basis over the lease term.

1.15 Fair Value of Assets and Liabilities

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

Fair value is the price the Credit Union would receive to sell an asset or would have to pay to transfer a liability in an orderly transaction between independent, knowledgeable and willing market participants at the measurement date.

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

To the extent possible, market information is extracted from the principal market for the asset or liability (that is, the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, information is extracted from the most advantageous market available to the Credit Union at reporting date (that is, the market that maximises the receipts from the sale of the asset or minimises the payment made to transfer the liability, after taking into account transaction costs and transport costs).

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

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

1.16 Financial Instruments

Initial recognition and measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Credit Union becomes party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the

Credit Union commits itself to either purchase or sell the asset (that is, trade date accounting is adopted). Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss" in which case transaction costs are recognised in profit or loss immediately.

Classification and subsequent measurement
Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is the amount for which a financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between the initial amount and the maturity amount calculated using the effective interest method.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking. Realised and unrealised gains and losses arising from changes in fair value are included in the statement of comprehensive income in the period in which they arise.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

iii) Held to maturity investments
Held to maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Credit Union's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) Available for sale financial assets
Available for sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (that is, gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial instrument is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment
At the end of each reporting period, the Credit Union assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified into profit or loss at this point.

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

1.17 Goods and Services Tax

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 Goods and Services Tax (GST) collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the Australian Tax Office (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 applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position.

Cashflows 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.

1.18 Comparative Amounts

When the presentation or classification of items in the financial statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following tables show the average balance for each of the major categories of interest bearing assets and liabilities, the amount of interest revenue or expense and the average interest rate. Most averages are monthly averages, and are representative of the Credit Union's operations during the period.

	Average Balance $'000	Interest $'000	Average Rate %
Interest revenue – 2015			
Deposits with financial institutions	14,559	562	3.9%
Loans and advances (other than Commercial loans)	70,639	3,957	5.6%
Commercial loans	840	78	9.2%
	$86,038	**$4,597**	
Interest revenue – 2014			
Deposits with financial institutions	14,066	516	3.7%
Loans and advances (other than Commercial loans)	70,153	4,216	6.0%
Commercial loans	942	83	8.9%
	$85,161	**$4,815**	
Borrowing costs - 2015			
Customer deposits	74,457	1,694	2.3%
Short-term borrowings	3,517	124	3.5%
	$77,974	**$1,818**	
Borrowing costs – 2014			
Customer deposits	70,521	1,884	2.7%
Short-term borrowings	4,773	181	3.8%
	$75,294	**$2,065**	

3. REVENUE FROM ORDINARY ACTIVITIES

	2015	2014
	$'000	$'000
Interest revenue	**$4,597**	**$4,815**
Non-interest revenue		
Dividends received	83	65
Fees and commissions		
- Fees and charges	262	287
- Commissions	159	157
Gain on disposal of assets	-	19
Bad debts recovered	8	7
Other revenue	29	27
Total non-interest revenue	**$541**	**$562**

4. PROFIT FROM OPERATIONS

Profit from operations before income tax expense has been determined after recognising the following expenses:-

Interest expense		
- Deposits from members	1,694	1,884
- Short term borrowings	124	181
	$1,818	**$2,065**
Impairment losses		
- Bad debts written off directly against profit	70	28
- Addition/(reversal) of amounts against provision for impaired loans	5	49
	$75	**$77**
Depreciation and amortisation		
- Office equipment	1	-
- Office furniture	-	1
- Motor vehicles	27	28
- EDP hardware	7	11
- Amortisation of intangible assets	41	41
	$76	**$81**
Occupancy expenses	**$108**	**$108**

4. PROFIT FROM OPERATIONS (CONTINUED)

	2015 $'000	2014 $'000
Employee benefits expense		
- Salaries	858	808
- Superannuation contributions	91	83
- Annual leave	14	15
- Long service leave	11	13
- Fringe benefits tax	8	14
- Payroll tax	11	11
- Directors allowance	28	27
- Other	74	94
	$1,095	**$1,065**

Other expenses		
- Fees and commissions	243	241
- Loans administration	103	100
- Data processing	401	376
- Marketing	145	150
- General administration	588	541
	$1,480	**$1,408**

5. INCOME TAX EXPENSE

The components of income tax expense comprise:

Provision for income tax	128	175
Increase in deferred tax assets	(7)	(10)
Adjustment for previous years	-	(13)
	$121	**$152**

The prima facie tax on operating profit before income tax is reconciled to income tax as follows:

Prima facie tax on operating profit @ 30% (2014 – 30%)	146	172
Add tax effect of non allowable items Less tax effect of:		
- Rebateable fully franked dividends	(25)	(20)
Income tax expense attributable to operating profit	**$121**	**$152**

The applicable weighted average effective tax rate is 25% (2014 - 27%)

6. AUDITOR'S REMUNERATION

	2015	2014
	$'000	$'000
Amounts received or due and receivable by the auditors of the Credit Union for:		
- Audit of the financial statements	38	35
- Audit of the APRA returns	6	6
- Other services	8	7
	$52	**$48**

7. CASH AND LIQUID ASSETS

Imprest accounts	356	289
Deposits at call	1,858	5,357
Interest earning deposits	11,940	9,962
Floating rate note	3,506	1,504
	$17,660	**$17,112**

8. ACCRUED RECEIVABLES

Members clearing accounts	186	119
Interest receivable	93	74
	$279	**$193**

9. LOANS AND ADVANCES

Overdrafts	466	402
Visa	611	634
Term loans	70,608	69,524
	$71,685	**$70,560**
Provision for impaired loans	(89)	(87)
	$71,596	**$70,473**

9.1 Maturity Analysis

Overdrafts	466	402
Visa	611	634
Not longer than 3 months	1,016	1,070
Longer than 3 months but less than 12 months	3,018	3,063
Longer than 1 year but less than 5 years	12,432	13,177
Longer than 5 years	54,142	52,214
	$71,685	**$70,560**

9.2 Security Dissection

	2015 $'000	2014 $'000
Secured by mortgage over real estate	65,065	62,388
Partly secured by goods mortgage	4,092	5,580
Wholly unsecured	2,528	2,592
	$71,685	**$70,560**

It is impractical to provide a valuation of the security held against loans due to the large number of assets to be valued to arrive at the amount. A breakdown of the quality of the security on a portfolio basis is as follows:

Security held as mortgages against real estate is on the basis of:		
- loan to valuation ratio of less than 80%	52,739	48,282
- loan to valuation ratio of greater than 80% and mortgage insured	8,888	12,436
- loan to valuation ratio of greater than 80% and not mortgage insured	3,438	1,670
	$65,065	**$62,388**

9.3 Concentration of Risk

The Credit Union has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

i) Geographical Area		
- New South Wales	67,860	67,433
- Other States and Territories	3,825	3,127
	$71,685	**$70,560**

ii) Loans to members who individually have a loan and overdraft facility, which represents in total 10% or more of capital in aggregate value $Nil (2014 – $4,157,000).

9.4 Movement in the Provision

Opening balance	87	38
Bad debts written off against provision	(70)	(28)
Loans provided for during the year	72	77
	$89	**$87**

9.5 Analysis of Loans that are impaired or potential impaired by class

	2015 Carrying Value $'000	2015 Impaired Loans $'000	2015 Provision for Impairment $'000
Loans to members			
- Residential	65,065	206	41
- Personal	5,543	47	42
- Overdrafts/Visa	1,077	10	6
Total	**$71,685**	**$263**	**$89**

	2014 Carrying Value $'000	2014 Impaired Loans $'000	2014 Provision for Impairment $'000
Loans to members			
- Residential	62,389	190	38
- Personal	7,135	53	38
- Overdrafts/Visa	1,036	36	11
Total	**$70,560**	**$279**	**$87**

It is not practicable to determine the fair value of all collateral as at reporting date due to the variety of asset conditions.

9.6 Analysis of Loans that are Impaired or Potential Impaired Based on Age of Repayments Outstanding

Days in Arrears	2015 Carrying Value $'000	2015 Provision $'000	2014 Carrying Value $'000	2014 Provision $'000
0 – 90 days	2	-	6	-
91 – 182 days	1	-	15	6
183 – 273 days	8	5	-	-
274 – 365 days	2	2	-	-
Over 365 days	240	76	222	70
Overlimit facilities over 14 days	10	6	36	11
	$263	**$89**	**$279**	**$87**

The provision based on the age of repayments outstanding has been taken from the June D2A return, and is based on the formula for impairment provided by APRA. The impaired loans are generally not secured against residential property. Some impaired loans are secured by a bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value of all collateral as at the reporting date due to the variety of assets and condition.

9.7 Assets Acquired Via Enforcement of Security

At reporting date there were three current repossession orders for the security over property of loans past due by 90 days of which one has been recovered subsequent to the reporting date. (2014 – Nil)

9.8 Loans with Repayments Past Due but not Regarded as Impaired

There are no loans past due by 90 days or more which are not considered to be impaired. (2014 – Nil)

9.9 Loans restructured

There were no loans restructured during the year. (2014 – Nil)

9.10 Key Assumptions in Determining Impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as 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.

10. OTHER INVESTMENTS

	2015 $'000	2014 $'000
Shares held with Special Service Providers		
- Ordinary shares	156	156
Shares – at cost		
- Unlisted	7	7
	$163	**$163**

CUSCAL Limited
The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member Credit Unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential banking services. The shares are not able to be traded and are not redeemable.

The financial statements of CUSCAL record that the net tangible asset backing of these shares exceeds their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but due to the nature of services supplied a market value if not able to be determined readily.

The Credit Union is not intending, nor is it able to dispose of these shares as the services supplied by the company relate to the day to day activities of the Credit Union.

Transaction Solutions Limited (TAS)
The shareholding in TAS is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member Credit Unions and does not have an independent business focus. These shares are held to enable the Credit Union to receive essential Information Technology services.

11. PROPERTY, PLANT AND EQUIPMENT

	2015 $'000	2014 $'000
Office furniture - at cost	572	143
Less: provision for depreciation	(140)	(140)
	432	**3**
Office equipment - at cost	96	96
Less: provision for depreciation	(94)	(93)
	2	**3**
Motor vehicles - at cost	177	177
Less: provision for depreciation	(121)	(94)
	56	**83**
EDP hardware - at cost	270	262
Less: provision for depreciation	(259)	(252)
	11	10
	$501	**$99**

Movement in carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year.

	Office Furniture $'000	Office Equipment $'000	Motor Vehicles $'000	EDP Hardware $'000	Total $'000
Balance at 1 July 2014	3	3	83	10	99
Additions	429	-	-	8	437
Disposals	-	-	-	-	-
Depreciation expense	-	(1)	(27)	(7)	(35)
Balance at 30 June 2015	**$432**	**$2**	**$56**	**$11**	**$501**
Balance at 1 July 2013	1	-	58	19	78
Additions	3	3	65	2	73
Disposals	-	-	(12)	-	(12)
Depreciation expense	(1)	-	(28)	(11)	(40)
Balance at 30 June 2014	**$3**	**$3**	**$83**	**$10**	**$99**

12. INTANGIBLES

	2015	2014
	$'000	$'000
EDP software	775	713
Accumulated amortisation	(671)	(629)
	$104	**$84**

Movement in carrying amounts for each class of intangibles between the beginning and end of the current financial year.

Opening balance at 1 July	84	60
Additions	61	65
Depreciation expense	(41)	(41)
Closing balance at 30 June	**$104**	**$84**

13. DEFERRED TAX ASSETS

Deferred tax assets	245	238
Income tax paid in advance	47	2
	$292	**$240**

14. OTHER ASSETS

Prepayments	$68	$62

15. DEPOSITS AND SHORT TERM BORROWINGS

Term deposits	25,962	26,181
Call deposits	49,642	46,097
Withdrawable shares	51	50
	$75,655	**$72,328**

15.1 Maturity Analysis

On call	49,693	46,147
Not longer than 3 months	16,782	15,087
Longer than 3 and not longer than 12 months	9,180	11,094
	$75,655	**$72,328**

15.2 Concentration of Deposits

i) There are no members who individually have deposits, which represent 10% or more of total liabilities (2014: Nil).

ii) Details of the geographic concentration of the deposits are set out below.

	2015	2014
	$'000	**$'000**
Geographical Area		
- New South Wales	73,539	70,671
- Other States and Territories	2,116	1,657
	$75,655	**$72,328**

16. PAYABLES AND OTHER LIABILITIES

Payables and accrued expenses	267	106
Accrued interest payable	300	309
Members' clearing accounts	35	167
	$602	**$582**

17. INTEREST BEARING LIABILITIES

Deposits from other ADI	**$2,100**	**$3,600**

18. PROVISIONS

Employee leave entitlements	**$214**	**$189**
Opening balance at 1 July	189	161
Additional provisions raised during the year	87	87
Amounts used	(62)	(59)
Balance at 30 June	**$214**	**$189**

19. RESERVES

Reserve for credit losses	**$479**	**$477**

19.1 Reserve for Credit Losses

This reserve records amounts previously set aside as a General provision on loans and advances and is maintained to comply with the Prudential Standards set down by APRA.

Balance at the beginning of the year	477	492
Transfer to/from retained profits	2	(15)
Balance at end of year	**$479**	**$477**

20. RETAINED PROFITS

	2015 $'000	2014 $'000
Retained profits at the beginning of the financial year	11,250	10,813
Net profit attributable to members	365	421
Transfer to/from reserves	(2)	16
Retained profits at the end of the financial year	**$11,613**	**$11,250**

Balance of franking credits held by the Credit Union after adjustments for credits that will arise from the payment of income tax payable as at the end of the financial year is $3,233,000 (2014 - $3,105,000). Franking credits represent reserves upon which income tax has been paid.

21. DIRECTORS AND KEY MANAGEMENT PERSONNEL DISCLOSURES

21.1 Names of Directors and other Key Management Personnel

During the course of the financial year the following were the key management persons of the Credit Union:

TE Bacon	RK Mills	PM Nolan	CJ Shepherd	M Bow
J Gray	J Moss	DAJ Rootes		L Bourne

21.2 Key Management Personnel Compensation

Key management personnel 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 the Credit Union. *Control* is the power to govern the financial and operating policies of the Credit Union so as to obtain benefits from its activities.

Key Management Persons (KMP) have been taken to comprise the Directors and the two members of the executive management team during the financial year (2014 – 2), responsible for the day to day financial and operational management of the Credit Union.

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

	2015 $'000	2014 $'000
Salary and fee	302	250
Superannuation contributions	14	33
	$316	**$283**

21.2 Key Management Personnel Compensation (continued)

Compensation includes all employee benefits (as defined in AASB 119 *Employee Benefits*). Employee benefits are all forms of consideration paid, payable or provided by the Credit Union, or on behalf of the Credit Union, in exchange for services rendered to the Credit Union.

Compensation includes:

(i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(ii) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(iii) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(iv) termination benefits; and

(v) share-based payment.

21.3 Loans to Key Management Persons

Loans provided to key management persons are on conditions no more favourable than those extended to members. Security has been obtained for these loans in accordance with the Credit Union's lending policy.

There is no provision for impairment in relation to any loan extended to key management persons. No loan impairment expense in relation to these loans has been recognised during the year.

There are no benefits on concessional terms and conditions applicable to the close family members of the key management persons. There are no loans which are impaired in relation to the loan balances with close family relatives of directors and management.

	2015 $'000	2014 $'000
Aggregate value of loans and overdrafts to Directors and other Key Management Personnel at reporting date	$629	$925
Aggregate value of loans disbursed to Directors and Key Management Personnel during the year	$-	$4
Aggregate value of revolving credit facilities limits granted or increased to Directors and Key Management Personnel during the year	$-	$-
Interest earned on loans and revolving credit facilities to Directors and Key Management Personnel during the year	$32	$44

21.4 Savings of Key Management Personnel

	2015 $'000	2014 $'000
Total value of term and savings deposits from Directors and Key Management Personnel at reporting date	$491	$417
Total interest paid on deposits to Directors and Key Management Personnel during the year	$16	$21

Directors and key management personnel have received interest on deposits with the Credit Union during the financial year. Interest has been paid on terms and conditions no more favourable to those available on similar transactions to members of the Credit Union.

21.5 Other Transactions with Related Parties

Other transactions between related parties include deposits from Directors and their Directors related entities, which are received on the same terms and conditions as applicable to members.

There were no benefits paid or payable to the close family members of the key management personnel.

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

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 which applied to members for each type of deposit.

22. EXPENDITURE AND CREDIT COMMITMENTS

22.1 Future Capital Commitments

At 30 June 2015 the Credit Union has no future capital commitments (2014: $Nil).

22.2 Lease Expenditure Commitments

	2015 $'000	2014 $'000
Operating leases		
Within 1 year	194	-
1 to 5 years	765	-
Later than 5 years	913	-
	$1,872	**$-**

The property lease is a 10 year lease. An option exists to renew the lease at the end of the 10 year period for a further two 5 year options.

22.3 Other Expenditure Commitments

	2015 $'000	2014 $'000

The costs committed under contracts with Ultradata and Combined Financial Processing (CFP) are as follows:

	2015 $'000	2014 $'000
Within 1 year	208	149
1 to 5 years	575	-
Later than 5 years	84	-
	$867	**$149**

22.4 Outstanding Loan Commitments

Loans approved by the Board but not funded as at 30 June 2015 amounted to $1,266,000 (2014: $2,700,000).

The withdrawal of these funds is at the discretion of the Board subject to available liquid funds. It is anticipated all of the commitment will be paid within 12 months.

22.5 Unfunded Loan Facilities

Loan facilities to members for overdrafts approved but unfunded at 30 June 2015 amounted to $2,359,000 (2014: $2,364,000). Total facilities increased by $152,000 during the year (2014: decrease of $74,000). There are no restrictions to withdrawal of the funds provided normal payments are maintained.

22.6 Other

In the normal course of business the Credit Union enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of the members. The Credit Union applies the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Credit Union holds collateral supporting these commitments where it is deemed necessary.

23. STANDBY BORROWING FACILITIES

The Credit Union has gross borrowing facilities with CUSCAL of:

	2015 $'000	2014 $'000
Loan facility		
Gross	1,600	1,600
Current borrowing	-	-
Net available	**$1,600**	**$1,600**

23. STANDBY BORROWING FACILITIES (continued)

	2015 $'000	2014 $'000
Loan facility – TWT Fund		
Gross	5,000	5,000
Current borrowing	-	-
Net available	**$5,000**	**$5,000**
Overdraft facility		
Gross	300	300
Current borrowing	-	-
Net available	**$300**	**$300**

There are no restrictions as to withdrawal of these funds. The borrowing facilities are secured by a fixed and floating charge over the assets of the Credit Union.

24. CONTINGENT LIABILITIES

Credit Union Financial Support System

The Credit Union is a participant in the Credit Union financial support scheme (CUFSS). The purpose of the 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.

An Industry Support Contract made on the 4 March 1999 between Credit Union Services Corporation (Australia) Limited, (CUSCAL), Credit Union Financial Support System Limited and participating Credit Unions required the Credit Union to execute an equitable charge in favour of CUSCAL. The charge is a fixed and floating charge over the assets and undertakings of the Credit Union and secures any advances which may be made to the Credit Union under the scheme. The balance of the debt at 30 June 2015 was $Nil (2014: $Nil).

There are no other contingent liabilities at reporting date or the date of this report.

25. ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services:

Credit Union Services Corporation (Australia) Limited - (CUSCAL)
This entity supplies financial banking services to the Credit Union and is an approved Special Service Provider for the provision of financial intermediation services. The Credit Union has invested all of its high quality liquid assets and operating liquid assets with the entity to maximise return on funds and to comply with the Emergency Liquidity Support requirements under the Prudential Standards.

This entity also supplies the Credit Union rights to members' cheques and Visa cards in Australia and provides services in the form of settlement with bankers for members' cheques and Visa card transactions and the production of Visa cards for use by members.

Ultradata Australia Pty Limited
This company provides and maintains the application software utilised by the Credit Union.

TransAction Solutions Pty Ltd (TAS)
This entity provides computing services to the Credit Union.

26. SEGMENTAL REPORTING

The Credit Union operates predominantly in the finance industry within New South Wales.

27. CASH FLOW INFORMATION

27.1 Cash flows presented on a net basis

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

i) member deposits to and withdrawals from savings, money market and other deposit accounts;

ii) sales and purchases of maturing certificates of deposit;

27.2 Reconciliation of cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call 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 statement of financial position as follows:

	2015 **$'000**	**2014** **$'000**
Cash on hand and at SSP's	2,214	5,646
Interest earning deposits	11,940	9,962
Floating rate note	3,506	1,504
Cash as per Statement of Cash Flows	**$17,660**	**$17,112**

27.3 Reconciliation of Net Cash Provided by Operating Activities to Net Profit for the year after Income Tax expense

	2015 $'000	2014 $'000
Operating profit after tax	365	421
Non cash flow items:		
Employee leave entitlements	25	28
Depreciation and amortisation	76	81
Gain on disposal of assets	-	(19)
Bad debts written off	75	77
Changes in assets and liabilities:		
Decrease/(increase) in accrued receivables	(86)	73
(Increase)/decrease in prepayments	(6)	(10)
(Increase)/decrease in deferred tax assets	(7)	(10)
Increase/(decrease) in payables	20	(6)
(Decrease)/increase in provision for income tax	(45)	(71)
Net cash from revenue activities	**$417**	**$564**
Non-revenue operations		
Movement in members loans	(1,198)	1,449
	$(781)	**$2,013**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

INTRODUCTION

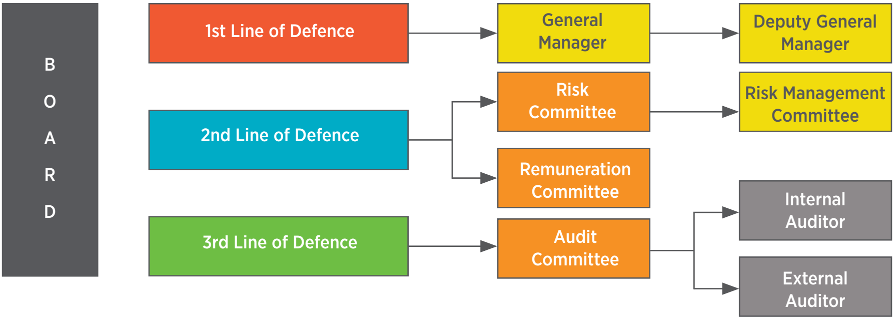
The Credit Union has a risk management framework that is appropriate to its size, business mix, and complexity. The Credit Union has policies in place that identify, measure, evaluate, monitor, report, and control all internal and external sources of risk.

The Board is responsible for the overall management of risk. It approves the level of risk which the Credit Union is exposed to and the framework for reporting and mitigating those risks. Authority flows from the Board of Directors to the Audit Committee and Risk Committee which is integral to the management of risk.

All matters pertaining to risk are developed and maintained with direct alignment to the Risk Management Framework with consideration to the Three Lines of Defence.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The diagram below gives an overview of the Credit Union's Lines of Defence Organisational Structure.



1st Line of Defence

The first line-of-defence comprises the business management who assume ownership of risks. They are responsible for day-to-day risk management decision-making involving risk identification, assessment, mitigation, monitoring and management. The roles and responsibilities of risk owners are clearly defined and incorporated into performance reviews.

2nd Line of Defence

The second line-of-defence comprises the specialist risk management function(s) and responsible Board Risk Committee(s) that are functionally independent from the first line-of-defence. The second line-of-defence supports the Board of Directors (the Board) in three key areas, by:

(a) Developing risk management policies, systems and processes to facilitate a consistent approach to the identification, assessment and management of risks;

(b) Providing specialist advice and training to the Board and first line-of-defence on risk related matters;

(c) Objective review and challenge of the consistent and effective implementation of the Risk Management Framework, and the data and information captured as part of the Risk Management Framework which are used in the decision-making processes within the business, in particular the completeness and appropriateness of the risk identification and analysis, ongoing effectiveness of risk controls, and prioritisation and management of action plans; and

(d) Oversight of the risk profile and its reporting and escalation to the Board.

3rd Line of Defence

The third line-of-defence comprises the independent assurance function and Audit Committee, each of whom provides independent assurance to the Board that:

(a) The Risk Management Framework is appropriate, consistently implemented and operating effectively. This includes an assessment of the overall framework and the effectiveness of risk management practices, including its influence on decision-making; and

(b) The policies, procedures and systems are appropriately designed and consistently implemented to operate effectively.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The main elements of risk governance are as follows:

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

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

The Audit Committee is responsible for overseeing and monitoring the Credit Union's compliance systems in place by which management discharges its legal obligations in respect of the Credit Union's business.

Risk Committee: The role of the Risk Committee is to oversee the adequacy of the Credit Union's risk management framework. This includes the formulation of the Credit Union's risk strategies, the formulation of policies pertaining to the risk strategies and the monitoring of adherence to those policies.

Risk Management Committee: The Risk Management Committee is the key component of the Second Line of Defence and reports directly to the Risk Committee in relation to the Risk Management Framework and to the General Manager in relation to operation matters.

Supporting the Risk Committee the purpose is the review and challenge with respect to the organisation's risk and compliance functions. The Risk Management Committee will provide Independent oversight of the risk profile and Risk Management Framework, including:

(a) effective challenge to activities and decisions that materially affect the Credit Union's risk profile;

(b) assistance in developing and maintaining the Risk Management Framework; and

(c) independent reporting lines to appropriately escalate issues.

The Risk Management Committee oversees the compliance function independently of business lines, reports findings to the Risk Committee and works with management to enhance compliance outcomes.

Remuneration Committee: Its key role is to ensure that the Credit Union's remuneration arrangements align with its circumstances and advance the Credit Union's mission of serving its members. The Remuneration Committee is to also ensure that the Credit Union's Remuneration Policy and practices appropriately aligns remuneration and risk management in compliance with CPS 510: Governance and PPG 511: Remuneration.

General Manager: This person has responsibility for both liaising with the operational function to ensure timely production of information for the Audit Committee and Risk Committee and ensuring that instructions passed down from the Board via the Audit Committee and Risk Committee are implemented.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit Committee.

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

- Interest rate risk;
- Liquidity management;
- Credit risk management; and
- Operations risk management including data risk management.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

A. MARKET RISK AND HEDGING POLICY

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Market risk is the risk that changes in interest rates, 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, and other significant price risk. The Credit Union does not trade in the financial instruments it holds on its books. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

Interest Rate Risk

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

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

Interest Rate Risk in the Banking Book

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

The interest rate risk on the banking book is measured monthly, and reported to the Board by the General Manager.

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 29 below. The table set out in Note 29 displays the period that each asset and liability will reprice as at reporting date. The risk is not considered significant to warrant the use of derivatives to mitigate this risk.

Method of Managing Risk

The Credit Union manages its interest rate risk by the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

Interest Rate Sensitivity

The Credit Union's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of the Credit Union to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets, and term deposits to rectify the imbalance to within acceptable levels. The policy of the Credit Union is not to undertake derivatives to match the interest rate risks. The Credit Union's exposure to interest rate risk is set out in Note 29 which details the contractual interest change profile.

Based on calculations as at 30 June 2015, the net profit impact for a 1% movement in interest rates would be $87,000 (2014 - $101,000).

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

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of the Credit Union for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over to the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by a deposit with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change;
- mortgage loans and personal loans would all reprice to the new interest rate within 28 days;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to the Credit Union's exposure to market risk or the way the Credit Union manages and measures market risk in the reporting period.

Price Risk – Equity Investments

The Credit Union is not exposed to price risk on the value of shares.

B. LIQUIDITY RISK

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

The Credit Union manages liquidity risk by:

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

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

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential Standards. The Credit Union policy is to apply 14% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level, the management and Board are to address the matter and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 23 describes the borrowing facilities as at reporting date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific Note 30. The ratio of liquid funds over the past year is set out below:

APRA	**2015**	**2014**
	%	**%**
To total adjusted liabilities		
As at 30 June	17.12	16.17
Minimum during the year	12.56	14.94
To total member deposits		
As at 30 June	18.71	18.13

C. CREDIT RISK

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

Credit Risk – Loans

Loans to	2015 Carrying Value $'000	2015 Off Balance Sheet $'000	2015 Max Exposure $'000	2014 Carrying Value $'000	2014 Off Balance Sheet $'000	2014 Max Exposure $'000
Residential	65,065	10,337	75,402	62,389	7,354	69,743
Personal	5,543	48	5,591	7,135	660	7,795
Overdraft/Visa	1,077	2,414	3,491	1,036	2,304	3,340
Total	**$71,685**	**$12,799**	**$84,484**	**$70,560**	**$10,318**	**$80,878**

Carrying value is the value on the statement of financial position. Maximum exposure is the value on the statement of financial position plus the undrawn facilities (Loans approved not advanced, redraw facilities, lines of credit facilities, overdraft facilities, credit card limits).

All loans and facilities are within Australia. Concentrations are described in note 9.

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

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non mortgage secured loans, commercial lending and concentrations to geographic and industry Credit Unions considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies.

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

Past due and impaired

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominately in the personal loans and facilities not secured by registered mortgages over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined and any impairment loss. Based on the net present value of future anticipated cash flows, is recognised in the statement of comprehensive income. In estimating these cash flows, management makes judgments about a counterparty's financial situation and the net realisable value of any underlying collateral.

In addition to specific provisions against individually significant assets, the Credit Union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

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

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in country risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on balance sheet' loan balances which are past due by 90 days or more.

Details are as set out in Note 9.

Bad debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off. On secure loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 9.

Collateral Securing Loans

A sizeable portfolio of the loan book is secured on residential property in Australia. Therefore, the Credit Union is exposed to risks in the reduction the Loan to Value (LVR) cover should the property market be subject to a decline.

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken.

The Board policy is to maintain at least 70% of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 9 describes the nature and extent of the security held against the loans held as at reporting date.

Concentration risk – Individuals

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

The aggregate value of large exposure loans are set out in Note 9. (The Credit Union holds no significant concentrations of exposures to members). Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5% of the capital base.

The Credit Union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of at least 80% and bi-annual reviews of compliance with this policy are conducted.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Concentration risk – Industry

There is no concentration of credit risk with respect to loans and receivables as the Credit Union has a large number of customers dispersed in areas of employment.

The Credit Union has a concentration in the retail lending for members who comprise employees and family in the electricity industry and all levels of government. This concentration is considered acceptable on the basis that the Credit Union was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical concentrations are set out in Note 9.

Credit Risk – Liquid Investments

The Investment Policy of the Credit Union governs investments made by the Credit Union in Minimum Liquidity Holding assets ("MLH", as defined by APRA in APS 210: Liquidity), and "non-MLH" assets which constitute loans and advances made to other Authorised Deposit Taking Institutions ("ADIs") that are classified as MLH assets due to the rating of the institution, the type of product, or the structure of the product falling outside the definition of MLH.

Each MLH investment must be made with an APRA regulated ADI in accordance with the following Capital Base limits (expressed as a percentage of the Credit Union's capital base, as reported in the Credit Union's APS 330 Return for the previous quarter), with a maximum dollar value as follows:

	Tier Limit (% of Capital Base) Max Tier Exposure ($)	**Institution Limit (% of Capital Base) Max Institution Exposure ($)**
Cuscal & Government	500%	500%
AA- Australian Major Bank	100% / $11m	50% / $5.5m
AA- and above (other)	50% / $5.5m	50% / $5.5m
A- to A+ ADIs	50% / $5.5m	50% / $5.5m
BBB- to BBB+ ADIs	50% / $5.5m	25% / $2.75m
Unrated ADIs	Nil / $Nil	Nil / $Nil

Each Non-MLH investment must be made with an Australian ADI in accordance with the following limits, with a maximum dollar value as follows:

	Institution Limit Max Institution Exposure ($)	**Non-MLH Portfolio Limit Max Exposure ($)**
Australian Credit Unions (Assets greater than $100m)	$1M	$5M
Other Australian Credit Unions (Assets less than $100m)	$500,000	$2M

There is a concentration of credit risk with respect to investment receivables with the placement of investments in CUSCAL. The credit policy is that investments are only made to institutions that are credit worthy.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

External Credit Assessment for Institution Investments

The exposure values associated with each credit quality step are as follows:

Investments with	2015 Carrying value $'000	2015 Past due value $'000	2015 Provision $'000	2014 Carrying value $'000	2014 Past due value $'000	2014 Provision $'000
CUSCAL	2,000	-	-	2,000	-	-
Banks	9,943	-	-	4,971	-	-
Other ADI	3,504	-	-	4,496	-	-
Total	**$15,447**	**-**	**-**	**$11,467**	**-**	**-**

D. OPERATIONAL RISK

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

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

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of error and inappropriate behaviour;
- implementation of the whistle blowing policies to promote a complaints culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Credit Union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

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

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

IT Systems

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

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

E. CAPITAL MANAGEMENT

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

- Credit risk;
- Market risk (trading book);
- Operations risk.

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

Capital Resources

Tier 1 Capital

The vast majority of Tier 1 capital comprises:

- Preference share capital;
- Retained profits;
- Realised reserves.

The preference shares issues are approved by APRA and qualify as Tier 1 capital.

Tier 2 Capital

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

Tier 2 capital generally comprises:

- Available for sale reserves which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in fair value of those assets in the year. This is included within upper Tier 2 capital.
- A subordinated loan, which is not applicable to the Credit Union.
- A general reserve for credit losses.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

At 30 June 2015, the Credit Union's capital comprises:

Tier 1 Capital	**June 2015 $'000**
Fundamental Tier 1 Capital:	
- Retained earnings	11,250
- Transfer to general reserve	(2)
- Current year earnings net of expected dividends and tax expenses	365
Gross Tier 1 Capital	**11,613**
Deductions from Tier 1 Capital:	
- Deferred tax assets	245
- Information technology assets	104
- Equity in other ADI's	156
	505
Net Tier 1 Capital	**$11,108**
Tier 2 Capital	
Upper Tier 2 Capital	
- General reserve for credit losses	479
Deductions from Tier 2 Capital	-
Net Tier 2 Capital	**$479**
Capital Base	**$11,587**

At 30 June 2015, the Credit Union's risk weighted assets reported to APRA were as follows:

Credit Risk Items	**June 2015 $'000**
Credit Risk Items – Standardised Approach	
- On and Off Balance Sheet	39,086
Operational Risk	
- Standardised Approach	5,988
Market Risk	-
Total Risk Weighted Assets	**$45,074**
Capital Adequacy Ratio	**25.71%**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

To manage the Credit Union's capital the Credit Union reviews the ratio monthly and monitors major movements in the asset levels. If the capital adequacy ratio declines by more than 0.5% for 3 consecutive quarters or reaches 17%, management advises the Board. Management's advice will show how growth, profit levels, mix of loan products and the acquisition of other assets has affected the capital adequacy ratio.

Pillar 2 Capital on Operational Risk

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

Based on this approach, the Credit Union's operational risk requirement is $5,988,000.

Internal Capital Adequacy Management

The Credit Union manages its internal capital levels for both current and future activities through the Audit and Risk Committee. The output of the Audit and Risk Committee is reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Credit Union's forecasts for asset growth, or unforeseen circumstances are assessed by the Board.

29. CORPORATE GOVERNANCE DISCLOSURES

Board

The Credit Union Board has responsibility for the overall management and strategic direction of the Credit Union.

Board members are independent of management and are either Board appointed or elected by members on a rotation of every 3 years. Currently there are two Board appointed Directors. Each Director must be eligible to act under the constitution as a member of the Credit Union and Corporations Act 2001 (Cwlth) criteria. Directors need to also satisfy the fit and proper criteria set down by APRA.

The Board has established policies to govern conduct of the Board meetings, director conflicts of interest and training so as to maintain director awareness of emerging issues and to satisfy all governance requirements.

The Board is responsible for:

- Monitoring matters of operational risk management and APRA reporting obligations;
- Monitoring compliance with applicable laws;
- General Manager remuneration and benefits;
- Staff remuneration policies;
- Financial budgets and performance criteria;
- Approval of large loans or commercial loans; and
- The acknowledgement of management approved interest rate changes.

Board Remuneration

The Board receives remuneration from the Credit Union in the form of Director fees approved by members and reimbursement of out of pocket expenses. There are no other benefits received from the Credit Union by the Directors.

Audit Committee

An Audit Committee has been formed to assist the Board in relevant matters of financial prudence. The Committee is comprised of a number of directors and has senior management participation.

The Audit Committee oversees the financial reporting and audit process. Its role includes:

- The oversight of all statutory reporting requirements;
- Monitoring audit reports received from internal and external auditors and management's responses thereto;

29. CORPORATE GOVERNANCE DISCLOSURES (continued)

- Liaising with the auditors (internal and external) on the scope and results of their work;
- Ensuring the external auditors remain independent in the areas of work conducted;
- The oversight of the Credit Union's compliance function.

Risk Committee

A Risk Committee has been formed to assist the Board in managing the risk framework of the Credit Union. The Committee is comprised of a number of directors and has senior management participation. Its role includes:

- The oversight of management's responsibilities to assess and manage the Credit Union's credit risk, market risk, liquidity risk, insurance risk, operational risk, capital risk and strategic and business risk; and
- Reviewing issues raised by the Internal and External Auditors that impact the Credit Union's risk management framework.

Compliance

The Credit Union's Compliance Function is an internal staffing resource which has been established to assist with the provision of structure, co-ordination of compliance functions and systems, and the performance of regular internal 'compliance checking' procedures.

The Credit Union's Compliance Function has the combined role of establishing, developing and increasing the culture of compliance within the Credit Union.

External Audit

Audit is performed by the Luka Group (formerly the audit practice of Morse Group). Through their prior history with Morse Group, Luka Group has been auditing credit unions for many years.

The work performed by the external auditors is examined by the Audit Committee to ensure that it is consistent with the current external audit reporting role and does not impair their independence.

Internal Audit

An internal audit function has been established using the services of DBP Consulting Pty Ltd (Glenn Pannam) to deal with the areas of internal control compliance and regulatory compliance.

Regulation

The Credit Union is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of the Credit Union.
- Australian Securities and Investments Commission (ASIC) for adherence to Corporations Act 2001 (Cwlth), Accounting Standards disclosures in the financial statements and FSR requirements and for compliance with the National Consumer Credit Protection Act. The FSR legislation requires the Credit Union to disclose details of products and services, maintain training for all staff that deal with the members and provide an effective and independent complaints handling process. Under the FSR licensing arrangements all staff which deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Both ASIC and APRA conduct periodic inspections and the auditors report to both regulators annually on compliance with respective requirements. The external auditors also report to both ASIC on the FSR compliance and APRA on the prudential policy compliance.

Work Health & Safety (WHS)

The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high risk industries. Nevertheless the Credit Union's two most valuable assets are staff and members and steps need to be taken to maintain their security and safety when circumstances warrant.

WHS policies have been established for the protection of both members and staff and are reviewed at least annually for relevance and effectiveness.

29. CORPORATE GOVERNANCE DISCLOSURES (continued)

Staff are trained in robbery procedures and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas
- Cameras and monitoring equipment visible throughout the office

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs of the public and staff. Independent security consultants report regularly on the areas of improvement which may be considered.

The Credit Union has established a WHS checklist that is completed quarterly by staff. Any concerns raised are actioned in a prompt manner. Secure cash handling policies are in place and injury from lifting heavy weights and RSI are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma counsellors where required following an incident which may impair their feeling of safety in the work place.

30. FINANCIAL INSTRUMENTS

30.1 Terms, Conditions and Accounting Policies

The Credit Union's accounting policies, including the terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at reporting date, are as follows:

Recognised Financial Instruments	**Statement of Financial Position Notes**	**Accounting Policies**	**Terms and Conditions**
(i) Financial assets			
Loans and advances	9	The loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month, and on the 3rd day for overdrafts.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
Short-term deposits	7	Short-term deposits are stated at the lower of cost and net realisable value. Interest is recognised in the profit and loss when earned.	Short-term deposits have an average maturity of 30 days and effective interest rates of 2.0% to 3.5%.
Unlisted shares	10	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received.	
Accrued Receivables	8	The carrying value of receivables is at their nominal amounts due.	

30.1 Terms, Conditions and Accounting Policies (continued)

Recognised Financial Instruments	Statement of Financial Position Notes	Accounting Policies	Terms and Conditions
(ii) Financial liabilities			
Bank overdrafts	15	The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's benchmark rate.
Payables and other liabilities	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Credit Union.	Trade liabilities are normally settled on 30 day terms.
Deposits and short term borrowings	15	Deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 15.

30.2 Net Fair Values

Net fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at reporting date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities.

	Total carrying amount in the statement of financial position		Aggregate net fair value	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial assets				
Cash and liquid assets	17,660	17,112	17,660	17,112
Accrued receivables	279	193	279	193
Other investments	163	163	163	163
Loans and advances	71,596	70,473	71,333	70,194
Total financial assets	**$89,698**	**$87,941**	**$89,435**	**$87,662**

30.2 Net Fair Values (continued)

	Total carrying amount in the statement of financial position		Aggregate net fair value	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial liabilities				
Deposits and short term borrowings	75,655	72,328	75,655	72,328
Payables and other liabilities	602	582	602	582
Interest bearing liabilities	2,100	3,600	2,100	3,600
Total financial liabilities	**$78,357**	**$76,510**	**$78,357**	**$76,510**

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

Cash and liquid assets

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

Accrued receivables

The carrying amounts approximate fair value because they are short term in nature.

Loan and other advances

For variable rate loans (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of net fair value.

Other Investments

For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows or the underlying net asset base of the investment/security.

Other financial liabilities

This includes interest payable and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

Receivables

The carrying amounts approximate fair value because they are short term in nature.

Payables and other liabilities

The carrying amounts approximate fair value as they are short term in nature.

30.2 Net Fair Values (continued)

Member's deposits

This includes interest and unrealised expenses payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities, which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities. The fair value of deposits at call is the amount payable on demand at the reporting date.

30.3 Credit Risk Exposures

The Credit Union's maximum exposures to credit risk at reporting date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the statement of financial position. The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/ parties fail to perform their obligations under the financial instruments in question.

30.4 Concentrations of Credit Risk

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

30.5 Interest rate risk

The Credit Union's exposure to interest rate risks which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at reporting date, are as follows:-

Financial instruments	Floating interest rate		1 year or less		1 to 5 Years		Non-interest bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	%	%
(i) Financial assets												
Cash and liquid assets	1,858	5,357	11,940	9,962	3,506	1,504	356	289	17,660	17,112	3.9	3.7
Accrued receivables	-	-	-	-	-	-	279	193	279	193	-	-
Other investments	-	-	-	-	-	-	163	163	163	163	-	-
Loans and advances	71,596	70,473	-	-	-	-	-	-	71,596	70,473	5.6	6.0
Total financial assets	**$73,454**	**$75,830**	**$11,940**	**$9,962**	**$3,506**	**$1,504**	**$798**	**$645**	**$89,698**	**$87,941**		
(ii) Financial liabilities												
Deposits and short term borrowings	49,642	46,097	25,962	26,182	-	-	51	50	75,655	72,328	2.1	2.7
Payables and other liabilities	-	-	-	-	-	-	602	582	602	582	-	-
Interest bearing liabilities	-	-	2,100	3,600	-	-	-	-	2,100	3,600	3.5	3.8
Total financial liabilities	**$49,642**	**$46,097**	**$28,062**	**$29,782**	**-**	**-**	**$653**	**$632**	**$78,357**	**$76,510**		

30.6 Maturity profile of financial instruments

Monetary liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different financial instruments will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal outstanding and interest will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event that current repayment conditions are varied. Financial assets and liabilities are at the undiscounted values including future interest expected to be earned or paid. Accordingly these values will not agree to the statement of financial position.

Financial instruments	Within 3 months		3-12 months		1-5 Years		> 5 years		At Call		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(i) Financial assets												
Cash and liquid assets	8,546	7,062	3,528	3,021	2,886	1,566	-	-	2,864	5,660	17,824	17,309
Accrued receivables	-	-	-	-	-	-	-	-	186	119	186	119
Loans to members	1,977	2,130	5,733	6,045	24,634	26,434	81,598	82,126	-	-	113,942	116,734
Other investments	-	-	-	-	-	-	-	-	163	163	163	163
Total financial assets	**$10,523**	**$9,192**	**$9,261**	**$9,066**	**$27,520**	**$28,000**	**$81,598**	**$82,126**	**$3,213**	**$5,942**	**$132,115**	**$134,325**
(ii) Financial liabilities												
Deposits	16,782	16,088	10,380	11,335	-	-	-	-	49,693	46,147	76,855	73,570
Interest bearing liabilities	1,113	3,164	1,032	509	-	-	-	-	-	-	2,145	3,673
Payables and other liabilities	-	-	-	-	-	-	-	-	302	273	302	273
Total financial liabilities	**$17,895**	**$19,252**	**$11,412**	**$11,844**	**-**	**-**	**-**	**-**	**$49,995**	**$46,420**	**$79,302**	**$77,516**

31. FAIR VALUE MEASUREMENTS

The Credit Union measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Financial assets at fair value through profit and loss; and
- Available-for-sale financial assets.

The Credit Union does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities at fair value on a non-recurring basis.

a. Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

Valuation techniques

The fair values of assets and liabilities that are not traded in an active market are determined by using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Credit Union selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Credit Union are consistent with one or more of the following valuation approaches.

- ***Market approach:*** valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- ***Income approach:*** valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- ***Cost approach:*** valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

31. FAIR VALUE MEASUREMENTS (continued)

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Credit Union gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

The following tables provide the fair values of the Credit Union's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy.

30 June 2015

	Note	Level 1 $'000	Level 2 $ '000	Level 3 $ '000	Total $ '000
Recurring fair value measurements *Financial assets* Available for sale financial assets:					
- shares in unlisted companies	10	-	163	-	163
Total financial assets recognised at fair value		**-**	**$163**	**-**	**$163**
Non-financial assets					
Intangible - EDP software	12	-	104	-	104
Total non-financial assets recognised at fair value		**-**	**$104**	**-**	**$104**

30 June 2014

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Recurring fair value measurements *Financial assets* Available for sale financial assets:					
- shares in unlisted companies	10	-	163	-	163
Total financial assets recognised at fair value		**-**	**$163**	**-**	**$163**
Non-financial assets					
Intangible - EDP software	12	-	84	-	84
Total non-financial assets recognised at fair value		**-**	**$84**	**-**	**$84**

There were no transfers between Level 1 and Level 2 for assets measured at fair value on a recurring basis during the reporting period (2014: no transfers).

31. FAIR VALUE MEASUREMENTS (continued)

b. Valuation Techniques and Inputs Used to Measure Level 2 Fair Values

Description	Fair value at 30 June 2015 $'000	Valuation Technique(s)	Inputs Used
Financial assets			
Shares in unlisted companies	$163	Market approach using sector price-earnings ratio of similar size listed entities	Sector Price earnings ratios
Non-financial assets			
Intangible - EDP software	$104	Market approach using recent observable market data for similar products; income approach using discounted cash flow methodology	Average replacement cost of similar products.

There were no changes during the period in the valuation techniques used by the Credit Union to determine Level 2 fair values.

c. Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes.

- Loans and advances;

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used.

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Assets				
Loan and advances	9	2	Income approach using discounted cash flow methodology	Market interest rates for similar assets

There has been no change in the valuation technique(s) used to calculate the fair values disclosed in the financial statements.

32. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

The following Australian Accounting Standards have been issued or amended and are applicable to the Credit Union but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

- AASB 9: Financial Instruments (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2019). This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

  The following requirements have generally been carried forward unchanged from AASB 139 Financial Instruments: Recognition and Measurement into AASB 9:- Classification and measurement of financial liabilities; and Derecognition requirements for financial assets and liabilities.

  - However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.
  - Financial assets that are debt instruments will be classified according to the objectives of the business model for managing those assets and the characteristics of their cashflows.
  - Recognition of credit losses are to no longer be dependent on the Credit Union first identifying a credit loss event.
  - The Credit Union will consider a broader range of information when assessing credit risk and measuring expected credit losses including past experience of historical losses for similar financial instruments.

  The Credit Union has not yet determined any potential impact on the financial statements. The amendments are not expected to significantly impact the Credit Union.

- AASB 15 Revenue from contracts from Customers (applicable to annual reporting periods commencing on or after 1 January 2017).

  Revenue from financial instruments is not covered by this new Standard, but AASB 15 establishes a new revenue recognition model for other types of revenue.

  This Standard is not expected to significantly impact the Credit Union.

33. COMPANY DETAILS

The registered office of the Credit Union is:-

Macquarie Credit Union Limited
165 Brisbane Street
Dubbo NSW 2830

(End of Audited Financial Statements)

Luka Group
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF MACQUARIE CREDIT UNION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Macquarie Credit Union Limited, which comprise the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the Credit Union at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The directors of the Credit Union are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (AIFRS) ensures that the financial statements, comprising the financial statements and notes, complies with AIFRS.

Audit Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing 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 statements is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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.

Chartered Accountants COVER OF EXCELLENCE

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the financial statements of Macquarie Credit Union Limited for the year ended 30 June 2015 included on the Credit Union's web site. The Credit Union's directors are responsible for the integrity of the Credit Union's web site. The audit report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Auditor's Opinion

In our opinion:

(a) the financial statements of Macquarie 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 2015 and of their performance for the year ended on that date; and

ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

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

LUKA GROUP

JM SHANKS
PARTNER

2 River Street
Dubbo
Dated: 2 September 2015

Chartered Accountants
COVER OF EXCELLENCE

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

CREDIT UNION CONTACTS

Bathurst Essential Energy	L Toms	Gulgong Wenonah Lodge	W McConnell
Brewarrina Shire Council	B Collis	Gunnedah Essential Energy	D Baker
Bogan Shire Council	C Eillison	Kempsey Essential Energy	P Haigh
Bourke/Brewarrina Essential Energy	C Brown	Molong Essential Energy	T Armstrong
Bourke Shire Council	L Brown	Mudgee District Hospital	J Adams
Bulahdelah Essential Energy	M Cook	Mudgee Kanandah	A Warman
Cobar Essential Energy	M Davies	Mudgee Pioneer House	J Toomey
Coffs Harbour Essential Energy	D Hayes/S Cameron	Nambucca Heads Essential Energy	G Colston
Coonabarabran Essential Energy	L Roberts	Narromine Base Hospital	L McLelland
Coonamble Essential Energy	M Vallett	Narromine Shire Council	S Everett
Coonamble MPHS	L Burheim	Narromine Essential Energy	A Smith
Coonamble Shire Council	V Fulmer	Nyngan Essential Energy	D Knight
Dubbo Base Hospital	P Woodward	Nyngan District Hospital	L Hawley
Dubbo City Council	W Sonneman	Orange Essential Energy	M Horton
Dubbo Essential Energy	J Morrison	Parkes Essential Energy	K Howard
Dubbo Essential Energy FSC	W Amor	Port Macquarie Essential Enegry	C Adams
Dunedoo Essential Energy	S Curtis	Queanbeyan Essential Energy	T Queripel
Dungog Essential Energy	J Middlebrook	Taree Essential Energy	T Collier
Gilgandra District Hospital	K McWhirter	Warren Essential Energy	M Oriel
Gilgandra Essential Energy	M Colwell	Warren MPHS	L Clark
Gilgandra Shire Council	J Henry	Warren Shire Council	J Murray
Gloucester Essential Energy	R Smith	Wellington Essential Energy	P Everingham
Gulgong Essential Energy	K Wisbey/J Jackson	Wellington Shire Council	T McInnes

STAFF

Matthew Bow	General Manager
Leanne Bourne	Deputy General Manager
JennyLee Millgate	Loans Supervisor
Gary Beggs	Senior Loans Officer
Jennifer Humphries	Loans Officer
Matthew Mcfetridge	Loans Officer
Michele Baker	Collections Officer
Leanne Soper	Business Development Officer (Central Western Region)
Maree Wilson	Business Development Officer (Mid North Coast Region)
Lisa Northill	Office Supervisor
Jill Graham	Member Service Officer
Georgie-Anne Pomfret	Member Service Officer
Anne Schofield	Member Service Officer
Joanne Crowe	Member Service Officer
Paula Thompson	Member Service Officer

DIRECTORS

TE Bacon	J Gray	RK Mills	J Moss
PM Nolan	DAJ Rootes	CJ Shepherd	

REGISTERED OFFICE

165 Brisbane Street, PO Box 1618, Dubbo NSW 2830
Telephone: 1300 885 480
Facsimile: (02) 6882 6909
Telephone Banking: 1300 885 480
Email: info@macquariecu.com.au
Web: macquariecu.com.au

AUDITORS

LUKA GROUP
2 River Street, Dubbo NSW 2830

SOLICITOR

Nelson, Keane & Hemingway
Church Street, Dubbo NSW 2830

BANKER

Cuscal Ltd.
National Australia Bank, Sydney

MACQUARIE
CREDIT UNION
a closer connection