ENCOMPASS
THE TRANSPORT CREDIT UNION

2014 ANNUAL FINANCIAL REPORT

A.C.N. 087 650 011
Incorporated in Australia

AFSL and Australian Credit License number 238426

Registered Office:
59 Buckingham St
SURRY HILLS NSW 2014
Telephone Number: 13 13 61

CHAIRMAN'S REPORT

I am pleased to report to members on another successful year. The CEO's report outlines the financial performance in more detail and I refer you to his report.

In summary your Credit Union is performing well. Previous Chair's and I have highlighted continued tough economic conditions, burdening regulation and very strong competition. Nothing has changed, except we now have a new way forward.

Encompass Credit Union is a strong Credit Union due to the members loyal support for over 61 years and a vision to be the "Transport Credit Union" serving members in the NSW transport industry. This has been achieved due to past mergers and consolidation with other transport credit unions and your continued support.

Encompass has excellent capital, liquidity and remains viable. To remain relevant and continue to be able to offer the competitive products that current and future members need, we need to consider the future direction of your Credit Union.

The financial marketplace and operating environment has changed considerably since the Global Financial Crisis (GFC). There has been increased competition from the big four banks and they have lifted their service proposition that had previously been the difference between the mutual sector (covering credit unions, building societies and mutual banks) and the banks.

Our peak body the Customer Owned Banking Association (COBA) has been working with the industry to develop a new strategic vision and direction which all mutuals are being asked to support. Whilst your Credit Union supports this approach, our vision is primarily about our members and our relevance to your needs. The Board will monitor the proposed vision and direction of our industry association to ensure that it aligns with our strategic vision.

We believe we offer a value proposition on products and services to our members and will continue to do so in the future. However, younger and potential newer members must see us as their financial institution. Research has indicated they prefer to use an organisation with the title "bank" for their financial requirements or use one of the new payment platforms being introduced for ease and convenient payments.

After much discussion and deliberation on the future direction of your Credit Union, the Board has agreed to investigate a merger opportunity with a similar Sydney based credit union.

The Credit Union has signed a Memorandum of Understanding (MOU) with Select Credit Union to merge our two organisations in the future. This will be subject to due diligence reviews, regulatory approval and member approval.

Select has similar values to Encompass. The culture of "people helping people", profits remaining with the members, community participation (locally and overseas) and support of transport industry events will not change. The proposed merger offers the staff better opportunities for development, a more secure future and an environment where they can continue to do what they do best, service and support the members.

Members will be updated on progress of the merger discussions in the future as required.

Independent to the merger we are actively working with another credit union in providing a joint branch to service our members. Our Parramatta branch will be the first where we will share facilities with My Credit Union. This is an innovative approach to delivering service for our members and those of My Credit Union.

Initially this will help reduce costs to both Credit Unions. Later I would like to see a broader sharing arrangement where members of both Credit Unions can make simple transactions or seek assistance from any branch of either Credit Union.

The financial reports reveal continued strength and a modest surplus. The results highlighting the tough competitive market in which we operate. In comparison to many other organisations they are very favourable and show continued good management and control over costs. The CEO's report reveals that once again staff at all levels have lifted to overcome slower economic conditions, to attract new members and to help existing members. Many work long hours and are dedicated to the Credit Union and its philosophy.

On behalf of the Board I would like to thank the staff and management of the Credit Union for there continued level of dedication and excellence in providing service to the members and supporting the Board direction.

Eric Priestley
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

It is with pleasure that I report to members on another successful year for their Credit Union.

Members' deposit and loan balances again increasing despite the competitive market place. Your Credit Union recorded an acceptable profit of $846,000 after taxation which is in line with expectations.

Last year I reported to members that it would be a challenging year with official interest rates decreasing. As it turned out they dropped to their lowest rate in fifty (50) years and have remained low through the financial year. The early indicators are that they will not start to rise until 2016, however no one can really predict what will happen in the future. Together with a very competitive financial market dominated by the big four banks, it has been an interesting year.

At Encompass we have to balance the needs of depositing members and borrowing members. During the year we maintained our standard home loan mortgage rate below the big four banks whilst offering attractive and competitive deposit interest rates. Our goal is to continue to serve our members by offering attractive interest rates in the future.

The new federal government has launched an Inquiry into the Australian financial system, headed by David Murray. The final report is expected in November 2014. Our peak body representing mutual banks, credit unions and building societies has made submissions to the Inquiry. It will be difficult to expect too many changes as our financial system, overall, has weathered the Global Financial Crisis (GFC) and post period very well.

The concern that I have is the increasing cost of compliance being placed on your Credit Union and the lack of a level playing field between your Credit Union and the big four banks. It is estimated that your Credit Union spent an additional $100,000 on new consultancy and compliance requirements this financial year alone. Another simple example, is the differential treatment in relation to risk weighting of mortgage security on property between your Credit Union and the big four banks. Your Credit Union is required to set aside more capital than the banks, even though the property securing the loan could be the same. It is hoped this will eventually be addressed.

At last year's AGM a member commented on the number of credit unions and building societies converting to a mutual bank status (there are now twelve that have converted). The member's comment, which was very valid, was that as long as we do not lose our values and culture he was not concerned what we called ourselves.

Our values have always been about helping our members to obtain a better life though financial inclusion. I am happy to report those values have not changed.

The Future

Your Credit Union has a high capital and liquidity position which sees it in one of the strongest financial positions, for a financial institution of its size, in the marketplace. However the financial marketplace is continually changing around us and we must respond to these changes. The future lays in technology and our ability to meet our members' future needs, such as mobile banking apps, new payment methods, delivery of loans in a more efficient manner, etc.

Your Board and management acknowledge that we cannot stand still, to stand still is to stagnate and to stagnate is to slowly wither on the vine. The Board has over the last eighteen months (if not longer) been monitoring trends in the financial market and the credit union movement. The Board and management believe that in order to continue to attract younger members and continue to provide great products and services to our members, a merger with another like minded credit union that shares our values and culture should be considered.

After a considerable review process your Board has signed a Memorandum of Understanding (MOU) with Select Credit Union to merge our two organisations in 2016. The transfer will be subject to successful due diligence reviews, regulatory approval and member approval.

The merger will deliver a strong Sydney centric based financial organisation, with an expanded branch network, ability to invest in technology and continue to offer members competitive products and services and other new initiatives. Members will be advised of the progress of the merger discussions through 2015 and 2016.

Financial Results

Operating Surplus: The operating result was $846,000 after tax compared to $943,000 the previous year. During the year the Credit Union maintained its standard variable mortgage interest rate below the big four banks, a benefit to our borrowing members. A prudent approach to lending and debt management again saw a reduction in bad debts written off. However the volatile financial marketplace means we have to be prudent in our approach to lending.

Capital Position: The strength of any organisation is its capital or reserve position. At Encompass our capital position is 26.10**%,** well above the minimum requirements as set down by APRA.

Total Savings: Members' savings continue to increase and now stand at $235.7 million at the end of the year compared to $224.4 million as at 30 June 2013. This is a strong show of support from members to their Credit Union.

Total Loans: Member loan balances remained very static with total loan balances finishing up at $196.2 million compared to $193.6 million as at 30 June 2013. Home loan lending is now at its lowest level for a number of years and there is little sign of this improving in the coming year.

Total Assets: Total assets now stand at $280.2 million compared to $267.0 million as at 30 June 2013.

Corporate Governance

A strong financial institution requires a strong corporate governance culture. The Board of Directors has worked hard to establish and maintain this culture and establish risk strategies.

The Credit Union is required to comply with considerable legislative and regulatory requirements and ensure its operational policies and procedures comply with these requirements. Compliance with legislation was once again met during the year.

Appreciation

I would like to finish by thanking the many people working for our Transport family group. These include Transport for NSW, Sydney Trains and NSW Trains, RMS, STA and others. The Credit Union was formed 61 years ago by workers in the Transport industry who wanted to help their fellow workers. Our philosophy is still the same today "people helping people".

Your Credit Union once again continued its support of charities within Australia. The Credit Union's main charity, Barnardos Australia, does a wonderful job helping needy and disadvantaged children. Your Credit Union also supported a number of other worthwhile Australian charitable causes throughout the year.

This year Encompass, together with nine (9) other like minded Australian mutuals and credit unions, agreed to undertake an international development project in Laos, Cambodia and Bhutan in conjunction with the Asian Confederation of Credit Unions. It is hoped to establish 25 credit unions in Laos and reach 30,000 disadvantaged and poor people in Laos. This project will assist in lifting these people out of poverty.

We also work closely with our Alliance partners: Railway Institute, Rec Club (formerly the RTA Rec Club), Bus Institute Sporting Association, Track Safe Foundation, PWI, WCRA and many others. Through these alliances we offer the benefits and services to mutual members. Thank you for another successful year.

I must also acknowledge the support given to me by the Board, management and staff, as a team effort is essential to make a successful Credit Union. I would like to thank the Chair Eric Priestley for his support and his fellow Directors for their support and encouragement during a challenging year.

Brian Bennett
Chief Executive Officer CPA, AIMM

DIRECTORS' REPORT

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

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

INFORMATION ON DIRECTORS

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

Name	Experience and Qualifications	Position and Special Responsibilities
C (Carol) Baillie	- Elected Director 2011-Present - Project/Portfolio Coordinator, Sydney Trains, 1995-Present - Associate Diploma of Business (Microcomputer Systems) - Diploma of Information Technology (Business System - Certificate IV in Project Management - Certificate IV in Human Resource Management	Director of Encompass Credit Union Limited Member of Board Risk Committee November 2011-November 2013 Member of Board Audit Committee November 2013-Present
A (Alison) Bruchhauser	- Elected Director 2012-Present - Lead Business Partner, Human Resources, Transport for NSW, 2012 – Present - Diploma in Applied Business - Advanced Personnel Management Certificate	Director of Encompass Credit Union Limited Member of the Board Audit Committee November 2012-November 2013 Member of the Board Risk Committee November 2013-Present
A (Alex) Claassens	- Elected Director 2009-Present - Chairperson of Board Risk Committee November 2013-Present - NSW State Secretary and member of the National Executive, Rail Tram and Bus Union 2009-Present - Executive member of Unions NSW 2009-Present - Train Driver with NSW Trains 1978-current - Employee representative Board member of the State Super (SAS Trustee Corporation) and Chairperson of Members Services Committee 2012-Present - Appointed to State Super Financial Services (SSFS) and Chair of Enquiries & Complaints Committee 2013-Present - Appointed to Sydney Alliance for Community Building as alternate Board member 2013-Present	Director of Encompass Credit Union Limited Member of Board Risk Committee November 2010-Present Chairperson of Board Risk Committee November 2013-Present Member of the Board Corporate Governance & Remuneration Committee November 2013-Present
P (Paul) Dunn	- Appointed Director August 2013-Present - General Manager Finance and Administration with State Transit Authority, government transport service 1979-Present - Graduate Diploma in Applied Finance, KAPLAN - 2009 - MBA, UNE – 1998 - B.Comm, UNSW – 1971 - Chartered Accountant	Director of Encompass Credit Union Limited Member of Board Audit Committee August 2013-Present
G (Gillian) George	- Elected Director 2009-Present - Chairperson of Board Risk Committee November 2010-2013 - Senior Business Analyst with Sydney Trains, service 1982-Present - Director of NSW Railway Institute 2000-Present - Certificate Human Resource Management SIT	Director of Encompass Credit Union Limited Member of Board Risk Committee November 2009-Present Chairperson of Board Risk Committee November 2010-2013 Member of the Board Corporate Governance & Remuneration Committee November 2010-Present

Name	Experience and Qualifications	Position and Special Responsibilities
M D (Mark) Harris	- Elected Director 2007-Present - Chairperson of the Board Audit Committee November 2011-Present - Chairperson of the Board Risk Committee December 2008-November 2010 - Business Development Manager (Rail) with Laing O'Rourke 2009-Present - Program Director with Railcorp until 2009, started as cadet Civil Engineer in 1981 - B.E.Civil Hons. (UTS) - Advanced Diploma in Project Management - President of the Permanent Way Institution of NSW 2001-Present - Member of Rail Track Association of Australia-Representative on the Management Committee - Member of the Australian Institute of Project Managers 2005-Present	Director of Encompass Credit Union Limited Member of Board Audit Committee November 2010-Present Chairperson of the Board Audit Committee November 2011-Present Member of the Board Corporate Governance & Remuneration Committee November 2011-Present
R V (Rod) Paul (former Director)	- Elected Director 1977-November 2013 - Deputy Chairperson of Encompass Credit Union Limited from November 2011-November 2013 - Chairperson of the Board November 2007-November 2011 - Chairperson of the Board Corporate Governance & Remuneration Committee December 2008-November 2011 - Chairperson of Board Executive Committee November 2007-December 2008 - Secretary of Board 1977-1990 - Deputy Chairperson 1992-November 2007 - Solicitor - B.A. (Sydney), Dip Ed (U.N E.), Dip Law (Supreme Court of NSW), M.A. (Sydney), NSW Department of Education Teaching Certificate	Director of Encompass Credit Union Limited Deputy Chairperson of Encompass Credit Union Limited from November 2011-November 2013 Member of the Board Corporate Governance & Remuneration Committee November 2008-November 2013
E (Eric) Priestley	- Elected Director 2007-Present - Deputy Chairperson of Encompass Credit Union Limited from November 2010-November 2011 - Chairperson of the Board Audit Committee December 2008-November 2010 - Senior Planner Assets and Systems, STA 2014-Present - Formerly Finance and Administration Manager and Sales Manager with STA 1997-2012 - Director Consulting (Government Sector) for APA Management Services 2012-current - Bachelor of Business, Accounting (UTS) - Certificate of Transport Management (Sydney University) CTM - Certified Practicing Accountant (CPA) - Member of the Australian Institute of Company Directors (MAICD)	Director of Encompass Credit Union Limited Chairperson of the Board of Encompass Credit Union Limited from November 2011-Present Chairperson of the Board Corporate Governance & Remuneration Committee November 2011-Present Member of the Board Corporate Governance & Remuneration Committee December 2008-Present Member of Board Audit Committee November 2007-Present Member of Board Risk Committee November 2011-Present
V (Vicky) Riddett	- Elected Director 2011-Present - Shift Manager Liverpool, Train Crewing, Sydney Trains, 2013-Present - Secretary of the NSW State Transport Salaried Officers Picnic Committee - Advanced Diploma in OHS - Occupational Health and Safety Auditor (NCSA) - Training and Assessment Certificate - Diploma in Front Line Management	Director of Encompass Credit Union Limited Member of Board Audit Committee November 2011-November 2013 Member of Board Risk Committee November 2013-Present

Meetings Attended	Board (B)		Audit Committee (A)		Corporate Governance & Remuneration Committee (C)		Risk Committee (R)	
Name	Meetings Eligible to Attend in Period	Meetings Attended	Meetings Eligible to Attend in Period	Meetings Attended	Meetings Eligible to Attend in Period	Meetings Attended	Meetings Eligible to Attend in Period	Meetings Attended
Carol Baillie **B, A**	7	7	3	3	-	-	2	1
Alison Bruchhauser **B, R**	7	6	1	0	-	-	3	2
Alex Claassens **B, R, C**	7	6	-	-	1	1	5	5
Paul Dunn **B, A**	7	7	3	3	-	-	-	-
Gillian George **B, R**	7	6	-	-	1	1	5	5
Mark Harris **B, A, C**	7	5	4	4	2	2	-	-
Rod Paul **B, C**	2	1	-	-	-	-	-	-
Eric Priestley **B, A, R, C**	7	7	4	4	2	2	5	4
Vicky Riddett **B, R**	7	6	1	1	-	-	3	1

B = Eligible to attend Board meetings for some or all of the period, A = Eligible to attend Audit Committee meetings for some or all of the period, C = Eligible to attend Corporate Governance Committee meetings for some or all of the period, R = Eligible to attend Risk Committee meetings for some or all of the period.

The role of the Audit Committee is to assist the Board in the discharge of its responsibilities by way of monitoring the compliance with prudential and statutory requirements to which the Credit Union and its associated Companies are obliged to comply.

The role of the Corporate Governance and Remuneration Committee is to monitor compliance with governance obligations and assist the Board in discharging its responsibilities.

The role of the Risk Committee is to assist the Board in the discharge of its responsibilities in respect of the identification, measurement and mitigation of the risks faced by the Credit Union.

DIRECTORS' BENEFITS
No Director has received or become entitled to receive during, or since the end of the financial year, a benefit because of a contract made by the Credit Union or a related body corporate with a Director, a firm of which a Director is a member or an entity in which a Director has a substantial financial interest, other than that disclosed in Note 32 of the financial report.

COMPANY SECRETARY
The following person held the position of Company Secretary during the financial year:

Mr Simon Andrew Brasier ACIS, FIPA was appointed Company Secretary on 1 November 2006. Mr Brasier has been employed by Encompass Credit Union since 1990, most recently as the Executive Manager Finance and Operations.

DIRECTORS' REPORT (continued)

INDEMNIFYING OFFICER OR AUDITOR
Insurance premiums have been paid to insure each of the Directors and Officers of the Credit Union, against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as a Director or Officer of the Credit Union. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

No insurance cover has been provided for the benefit of the auditors of the Credit Union.

FINANCIAL PERFORMANCE DISCLOSURES

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

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

OPERATING RESULTS
The net profit of the Credit Union for the year after providing for income tax was $846,000 (2013: $943,000).

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

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

The result for the year was affected by:

- Movements in personal loan balances.
- Movements in mortgage loan balances.
- Movements in the level of liquid funds held.
- Movements in the cost of deposits and borrowings.
- Compliance and consultancy costs.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS
There were no significant changes in the state of the affairs of the Credit Union during the year.

EVENTS OCCURRING AFTER BALANCE DATE
No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect in subsequent years the operations, or state of affairs of the Credit Union.

LIKELY DEVELOPMENTS AND RESULTS
No other matters, circumstances or likely developments have arisen since the end of the financial year which have significantly affected or may significantly affect in subsequent years:

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

in the financial years subsequent to this financial year.

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

DIRECTORS' REPORT (continued)

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF ENCOMPASS CREDIT UNION LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2014 there have 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.

KPMG

Peter Russell
Partner
Sydney
Dated in Sydney this 8th day of October 2014

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Limited liability by a scheme approved under Professional Standards Legislation.

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

Eric Priestley, Director
Signed and dated this 8th day of October 2014

DIRECTORS' DECLARATION

The Directors of Encompass Credit Union Limited declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

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

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

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

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

Eric Priestley, Director
Signed and dated this 8th day of October 2014

KPMG

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ENCOMPASS CREDIT UNION LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Encompass Credit Union Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in member equity and statement of cash flows for the year ended on that date, notes 1 to 37 comprising a summary of significant accounting policies and other explanatory information and the Directors' declaration.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

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

AUDITOR'S RESPONSIBILITY

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Credit Union's financial position and of its performance.

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*. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Encompass Credit Union on 8 October 2014, would be in the same terms if given to the directors as at the time of this auditor's report.

AUDITOR'S OPINION

In our opinion:

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

  (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

KPMG

Peter Russell
Partner
Sydney
Dated in Sydney this 8th day of October 2014

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
Interest revenue	2a	**13,900**	15,447
Interest expense	2c	**(5,848)**	(7,063)
NET INTEREST INCOME		**8,052**	8,384
Fee commission and other income	2b	**1,937**	2,031
NET INTEREST INCOME AND OTHER INCOME		**9,989**	10,415
NON INTEREST EXPENSES			
Impairment losses on loans and advances	2d	**(103)**	(283)
Fee and commission expenses		**(794)**	(836)
		(897)	(1,119)
General administration			
- Employees' compensation and benefits		**(4,045)**	(4,209)
- Depreciation and amortisation	2f	**(362)**	(350)
- Information technology		**(912)**	(855)
- Office occupancy		**(866)**	(862)
- Other administration		**(704)**	(722)
Total general administration		**(6,889)**	(6,998)
Other operating expenses		**(1,057)**	(991)
TOTAL NON INTEREST EXPENSES		**(8,843)**	(9,108)
PROFIT BEFORE INCOME TAX		**1,146**	1,307
Income tax expense	3	**(300)**	(364)
PROFIT AFTER INCOME TAX		**846**	943
OTHER COMPREHENSIVE INCOME			
Items that will never be reclassified to profit or loss:			
Revaluation of property (net of tax)	11	**-**	1,355
TOTAL COMPREHENSIVE INCOME		**846**	2,298

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

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

	Capital reserve $'000	Retained profits $'000	Reserve for credit losses $'000	Other reserves $'000	Total $'000
Total as at 30 June 2012	238	31,307	580	2,270	34,395
Revaluation of property	-	-	-	1,355	1,355
Profit for the year	-	943	-	-	943
Transfers to (from) Reserves	13	(83)	70	-	-
Total as at 30 June 2013	**251**	**32,167**	**650**	**3,625**	**36,693**
Revaluation of property	**-**	**-**	**-**	**-**	**-**
Profit for the year	**-**	**846**	**-**	**-**	**846**
Transfers to (from) Reserves	**9**	**(59)**	**50**	**-**	**-**
Total as at 30 June 2014	**260**	**32,954**	**700**	**3,625**	**37,539**

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $'000	2013 $'000
ASSETS			
Cash	4	**9,374**	9,930
Advances to other financial institutions	5	**36,000**	25,000
Investment securities	6	**28,562**	28,659
Receivables	7	**1,089**	866
Prepayments		**278**	152
Loans and advances to members	8	**196,176**	193,604
Available for sale investments	10	**1,134**	1,134
Property, plant and equipment	11	**7,040**	7,264
Taxation assets	12	**391**	376
Intangible assets	13	**120**	50
TOTAL ASSETS		**280,164**	267,035
LIABILITIES			
Borrowings	14	**2,872**	2,000
Deposits from members	15	**235,741**	224,417
Creditor accruals and settlement accounts	16	**1,993**	1,880
Income tax	17	**141**	298
Provisions	18	**966**	835
Deferred income tax liability	19	**912**	912
TOTAL LIABILITIES		**242,625**	230,342
NET ASSETS		**37,539**	36,693
MEMBER EQUITY			
Capital reserve account	20	**260**	251
Asset revaluation reserve	21	**3,625**	3,625
General reserve for credit losses	22	**700**	650
Retained earnings		**32,954**	32,167
TOTAL MEMBER EQUITY		**37,539**	36,693

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $'000	2013 $'000
OPERATING ACTIVITIES			
REVENUE INFLOWS			
Interest received		**13,954**	15,379
Fees and commissions		**1,353**	1,666
Dividends		**218**	109
Other income		**271**	267
REVENUE OUTFLOWS			
Interest paid		**(6,025)**	(7,663)
Suppliers and employees		**(8,447)**	(8,437)
Income taxes (paid) received		**(472)**	(239)
NET CASH FROM REVENUE ACTIVITIES	35b	**852**	1,082
INFLOWS FROM OTHER OPERATING ACTIVITIES (net movements)			
Member loans (increase) decrease		**(2,666)**	(5,360)
Member deposits and shares increase (decrease)		**11,497**	8,549
Liquid Investments (increase) decrease		**(10,903)**	(899)
NET CASH FROM OPERATING ACTIVITIES	35c	**(1,220)**	3,372
INVESTING ACTIVITIES			
INFLOWS			
Proceeds on sale of investment in shares		**-**	24
Proceeds on sale of property, plant and equipment		**-**	45
OUTFLOWS			
Purchase of property plant and equipment		**(72)**	(291)
Purchase of intangible assets		**(136)**	(45)
Purchase of new investment		**-**	(400)
NET CASH FROM INVESTING ACTIVITIES		**(208)**	(667)
FINANCING ACTIVITIES			
INFLOWS (OUTFLOWS)			
Repayment of borrowings		**-**	(3,000)
NET CASH FROM FINANCING ACTIVITIES		**-**	(3,000)
TOTAL NET CASH INCREASE/(DECREASE)		**(1,428)**	(295)
Cash at beginning of year		**9,930**	10,225
CASH AT END OF YEAR	35a	**8,502**	9,930

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

This financial report is prepared for Encompass Credit Union Limited as a single entity for the year ended 30 June 2014. The report was authorised for issue on 8 October 2014 in accordance with a resolution of the Board. The financial report is presented in Australian dollars.

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards ensures compliance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB). Encompass Credit Union Limited is a for-profit entity and primarily involved in the provision of financial products, services and associated activities to members.

a. Basis of measurement

The financial report has been prepared on an accruals basis and are based on historical costs, which do not take into account changing money values or current values of non current assets with the exception of real property and available for sale assets which are stated at fair value. The accounting policies are consistent with the prior year unless otherwise stated.

Classification and subsequent measurement of financial assets

Financial assets and financial liabilities are recognised when the Credit Union becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs. Subsequent measurement of financial assets and financial liabilities are described below.

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

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

- loans and receivables
- held-to-maturity (HTM) investments
- available-for-sale (AFS) financial assets.

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

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

All income and expenses relating to financial assets that are recognised in profit or loss, are presented within interest revenue or interest expense, except for impairment of loans and receivables which is presented within non interest expenses.

NOTES TO THE FINANCIAL STATEMENTS

Loans and receivables

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

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

HTM investments

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

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

Available For Sale (AFS) financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The equity investment in Cuscal Limited and TransAction Solutions Ltd are measured at cost less any impairment charges, as their fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss.

All other AFS financial assets are measured at cost. When the asset is disposed of or is determined to be impaired, the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss, and presented as reclassification adjustments within other comprehensive income. Interest calculated using the effective interest method are recognised in profit or loss within ‘interest revenue’.

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

NOTES TO THE FINANCIAL STATEMENTS

b. Loans to members

(i) Basis of recognition

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 balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board.

(ii) Interest earned

Term loans & overdraft - Loan interest is calculated on the basis of daily balances outstanding and is charged in arrears to a member’s account on the last day of each month.

Credit cards - Interest is calculated on the basis of the daily balance outstanding on cash advances and purchases in excess of the payment due date and is charged in arrears to a member’s account on the 25th day of each month. Purchases are granted up to 55 days interest free until the due date for payment.

(iii) Loan origination fees and discounts

Loan establishment fees - 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.

Transaction costs - Transaction costs are expenses which are direct and incremental to the establishment of the loan. These costs are initially deferred as part of the loan balance, and are brought to account as a reduction to income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

(iv) Fees on loans

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

NOTES TO THE FINANCIAL STATEMENTS

c. Loan impairment

(i) Specific 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 to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement. The critical assumptions used in the calculation are as set out in Note 9. Note 23 details the credit risk management approach for loans.

APRA Prudential Standards require a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears.

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

(ii) Reserve for credit losses

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

- the level of security taken as collateral;
- the type of loan; and
- the likelihood of loan loss based on historic analysis.

(iii) Renegotiated loans

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

d. Bad debts written off (direct reduction in loan balance)

Bad debts are written off from time to time as determined by management and the Board when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the doubtful debts expense in the Statement of Comprehensive Income, or against impairment provision where previously provided.

NOTES TO THE FINANCIAL STATEMENTS

e. Property, plant and equipment

Land and buildings are measured at fair value less accumulated depreciation. Revaluation increments are credited to the asset revaluation reserve, unless it reverses a previous decrease in value in the same asset previously debited to the Statement of Comprehensive Income. Revaluation decreases are debited to the Statement of Comprehensive Income unless it directly offsets a previous revaluation increase in the same asset in the asset revaluation reserve.

All other property, plant and equipment are recognised at cost.

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight line basis so as to write off the net cost of each asset over its expected useful life to the Credit Union. The useful life is adjusted as appropriate at each reporting date. The estimated useful life of the assets at balance date are as follows:

- Buildings – 40 years.
- Leasehold Improvements – the lesser of 10 years or the term of the lease.
- Plant and Equipment – 2.5 to 10 years.

f. Deposits with other financial institutions

Term deposits and Negotiated Certificates of Deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the Statement of Financial Position.

g. Equity investments and other securities

Investments in shares are classified as available for sale assets.

Investments in shares where a market value is readily available are re-valued to market value, with the gains and losses reflected in equity through the asset revaluation reserve.

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.

h. Member 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 daily balances and posted to members' accounts monthly. Interest on term deposits is calculated on a daily basis and posted to members' accounts fortnightly, monthly, annually or on maturity. 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.

i. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings 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 borrowings using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

j. Provision for employee benefits

Provision is made for the Credit Union's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at their nominal amount.

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

Annual leave is accrued in respect of all employees on pro-rata entitlement for part year of service and leave entitlement due but not taken at balance date.

Short-term employee benefits included as a current liability are disclosed at the undiscounted amount that the Credit Union expects to pay as a result of the unused entitlement. All annual leave entitlements to employees are included as a current liability as it is expected that all leave accrued at balance date will be taken by employees within the next 12 months.

Contributions are made by the Credit Union to employees' superannuation funds and are charged to the Statement of Comprehensive Income as incurred.

k. Leasehold premises

Leases, where the lessor retains substantially all the risks and rewards of ownership of the net asset, are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

l. Income tax

The income tax expense shown in the Statement of Comprehensive Income is based on the operating profit before income tax adjusted for any non tax deductible, or non assessable items between accounting profit and taxable income. Deferred Tax Assets and Liabilities are recognised in respect of temporary differences arising between the tax bases of assets or liabilities and their carrying amounts in the financial statements. Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are recognised for all temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable. These differences are presently assessed at 30%.

Deferred tax assets are only brought to account if it is probable that future taxable amounts will be available to utilise those temporary differences. The recognition of these benefits is based on the assumption that no adverse change will occur in income tax legislation and the anticipation that the Credit Union will derive sufficient future assessable income and comply with the conditions of deductibility imposed by the law to permit a future income tax benefit to be obtained.

m. Intangible assets

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

Computer software is amortised over the expected useful life of the software. The expected useful life ranges from 2 to 5 years.

NOTES TO THE FINANCIAL STATEMENTS

n. Goods and services tax (GST)

As a financial institution the Credit Union is input taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases is generally recovered on a proportionate basis. In addition, certain prescribed purchases are subject to reduced input tax credits (RITC), 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. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

o. Impairment of non-financial assets

At each reporting date the Credit Union assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, the 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. A recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purpose of assessing the 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 a recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

p. Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

q. Accounting estimates and judgements

Management has made judgements when applying the Credit Union’s accounting policies with respect to the classification of assets as available for sale.

The details of the critical accounting estimates and assumptions are set out in Note 9 for the impairment provisions for loans.

The significant accounting judgements are related to the determination of the provision for impairment of loans are set out in Note 9.

r. Application of new or revised Australian accounting standards

A number of new and revised Australian accounting standards apply to the Credit Union’s financial statements. The main effects of these standards are set out below.

NOTES TO THE FINANCIAL STATEMENTS

New standards applicable for the current year

AASB 13 – Fair value measurement

AASB 13 has been applied for the year ended 30 June 2014. The standard has not had a material effect on the financial statements but has required additional disclosures to be made around fair value measurements, contained in Note 28.

AASB 119 – Employee benefits (revised)

AASB 119 has been applied for the year ended 30 June 2014. The revised standard has not had a material effect on the financial statements.

New standards applicable for future periods

AASB 9 – Financial instruments

AASB 9 contains new requirements for the classification, measurement and de-recognition of financial assets and liabilities. It will replace the corresponding requirements in AASB 139. The Credit Union is assessing the impact of the new standard, which will now be applicable for annual reporting periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

		2014 $'000	2013 $'000
2.	**STATEMENT OF COMPREHENSIVE INCOME**		
a.	**Analysis of interest revenue**		
	Category of interest bearing assets		
	Cash – deposits at call	**73**	81
	Advances to other financial institutions	**2,358**	2,608
	Loans and advances to members	**11,422**	12,727
	Other	**47**	31
	Total interest revenue	**13,900**	15,447
b.	**Non interest revenue comprises**		
	Fee and commission revenue		
	Loan fee income – other than loan origination fee	**222**	270
	Other fee income	**663**	700
	Insurance commission	**310**	420
	Other commission	**252**	240
	Total fee and commission revenue	**1,447**	1,630
	Other income		
	Dividends received	**217**	109
	Bad debts recovered	**107**	122
	Income from property (rental income)	**159**	142
	Gain on disposal of property, plant and equipment	**-**	26
	Miscellaneous revenue	**7**	2
	Total other income	**490**	401
	Total non interest revenue	**1,937**	2,031
c.	**Interest expenses**		
	Analysis of interest expense		
	Category of interest bearing liabilities		
	Deposits from members	**5,770**	6,928
	Borrowings	**78**	135
	Total interest expenses	**5,848**	7,063
d.	**Impairment losses on loans and advances**		
	Increase (decrease) in provision for impairment	**-**	128
	Bad debts written off directly against profit	**103**	155
	Total impairment losses on loans and advances	**103**	283

NOTES TO THE FINANCIAL STATEMENTS

	2014	2013
	$'000	$'000
e. Individually significant items of income and expenditure		
Expenditure		
Redundancy payments to staff	**-**	181
f. Prescribed expense disclosures		
General administration – employees costs include:		
Net movement in annual leave accrual	**(2)**	24
Net movement in employee long service leave provision	**118**	117
	116	141
General administration – depreciation and amortisation expense comprises:		
- Buildings	**117**	89
- Plant and equipment	**124**	146
- Leasehold improvements	**55**	83
Sub Total	**296**	318
- Amortisation of software	**66**	32
	362	350

	2014	2013
	$	$
Included within other operating expenses are auditor's remuneration as follows:		
Auditor's remuneration		
- Audit fees – (KPMG)	**86,604**	82,424
- Audit fees – (GT)	**80,701**	72,578
- Other services – (KPMG)	**7,151**	8,500
- Other services – (GT)	**14,276**	11,503
	188,732	175,005

NOTES TO THE FINANCIAL STATEMENTS

	2014 $'000	2013 $'000
3. INCOME TAX EXPENSE		
a. Income tax expense comprises amounts set aside as:		
Current tax (note 17)	**315**	416
Deferred tax (note 12)	**(14)**	(65)
Prior year adjustment (note 17)	**(1)**	13
Income tax expense attributable to operating profit	**300**	364
b. The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:		
Profit from operations	**1,146**	1,307
Prima facie tax payable on operating profit before income tax at 30%	**344**	392
Tax effect of expenses not deductible	**1**	2
Imputation adjustment	**19**	19
Franking rebate	**(63)**	(62)
Adjustments for current tax of prior periods	**(1)**	13
Income tax attributable to current operating profit	**300**	364
c. Franking credits		
Franking credits held by the Credit Union after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:	**4,675**	4,287

The ability to use these franking credits is restricted as the Credit Union is not currently permitted to make dividend payments.

	2014 $'000	2013 $'000
4. CASH		
Cash on hand	**261**	333
Deposits at call	**9,113**	9,597
	9,374	9,930
5. ADVANCES TO OTHER FINANCIAL INSTITUTIONS		
Deposits with banks	**9,000**	21,000
Deposits with other financial institutions	**27,000**	4,000
	36,000	25,000

NOTES TO THE FINANCIAL STATEMENTS

	2014 $'000	2013 $'000
6. INVESTMENT SECURITIES		
Negotiable certificates of deposit - Cuscal	**11,875**	28,659
Negotiable certificates of deposit - Banks	**16,687**	-
	28,562	28,659

7. RECEIVABLES

Interest receivable on deposits with other financial institutions	**415**	478
Sundry debtors and settlement accounts	**674**	388
	1,089	866

8. LOANS AND ADVANCES

a. Amount due comprises:

Overdrafts and credit cards	**4,122**	4,566
Line of credit	**5,389**	6,147
Term loans	**186,978**	183,213
Total loans and advances	**196,489**	193,926
Unamortised loan origination fees	**(84)**	(93)
	196,405	193,833
Provision for impaired loans (Note 9)	**(229)**	(229)
Net loans and advances	**196,176**	193,604

b. Credit quality – Security held against loans

Secured by mortgage over real estate	**185,530**	181,207
Secured by cash collateral	**550**	539
Partly secured by goods mortgage	**3,998**	4,619
Wholly unsecured	**6,411**	7,561
Total loans and advances	**196,489**	193,926

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. Mortgages over real estate are classified as either eligible residential mortgages or non eligible residential mortgages. A breakdown of the loan balances with security held as an eligible residential mortgage against real estate based on the loan to valuation ratio (LVR) is as follows:

LVR less than 80% $142,576,998 (2013: $140,062,000), LVR more than 80% with mortgage insurance $30,893,017 (2013: $27,624,000), LVR between 80% and 90% not mortgage insured $6,634,636 (2013: $7,537,000) (many of these loans marginally exceeded 80% LVR due to the addition of loan costs to the amount borrowed), LVR more than 90% not mortgage insured $0 (2013: $311,000).

NOTES TO THE FINANCIAL STATEMENTS

		2014 $'000	2013 $'000
c.	**Concentration of loans**		
(i)	Loans by purpose:		
	Loans to natural persons		
	Residential loans and facilities	**181,839**	177,170
	Personal loans and facilities	**10,964**	12,710
	Commercial loans and facilities	**3,686**	4,046
		196,489	193,926
(ii)	Loans to members are concentrated solely in Australia. Loans to members are principally in the following regions:		
	NSW	**188,374**	187,310
	Other	**8,115**	6,616
		196,489	193,926

Loans to members are concentrated to individuals employed in the Government Transport industry

9. PROVISION ON IMPAIRED LOANS

		2014 $'000	2013 $'000
a.	**Total provision comprises**		
	Specific provision	**229**	229
b.	**Movement in the specific provision**		
	Balance at the beginning of year	**229**	101
	Transfers from (to) Statement of Comprehensive Income	**-**	128
	Specific provision balance at end of year	**229**	229
c.	**Impaired loans written off**		
	Amounts written off directly to expense	**103**	155
	Bad Debts recovered in the period	**(107)**	(122)
		(4)	33

NOTES TO THE FINANCIAL STATEMENTS

d. Analysis of loans that are impaired by class

In the Note below:

- Carrying value is the amount on the Statement of Financial Position.
- Impaired loans value is the loan balances which are past due more than 90 days or an over limit facility past due more than 14 days. Also included are loan balances on which a provision has been taken up due to the account being considered doubtful.
- Provision for impairment is the amount of the impairment provision allocated to the impaired loans.

	2014 Carrying value $'000	**2014 Impaired Loans $'000**	**2014 Provision for impairment $'000**	2013 Carrying value $'000	2013 Impaired Loans $'000	2013 Provision for impairment $'000
Loans to members						
Mortgages	**181,839**	**544**	**183**	177,170	793	198
Personal	**6,243**	**36**	**31**	7,282	16	9
Credit cards and overdraft	**4,721**	**17**	**15**	5,428	37	22
Total to natural persons	**192,803**	**597**	**229**	189,880	846	229
Corporate borrowers	**3,686**	**-**	**-**	4,046	-	-
Total	**196,489**	**597**	**229**	193,926	846	229

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

	2014 Carrying value $'000	**2014 Provision $'000**	2013 Carrying Value $'000	2013 Provision $'000
Non impaired loans and facilities	**195,267**	**-**	191,878	-
Non impaired 30 to 90 days in arrears (over limit to14 days)	**641**	**-**	1,154	-
Non impaired over 90 days in arrears	**-**	**-**	364	-
Impaired up to 90 days in arrears	**-**	**-**	-	-
Impaired 90 to 182 days in arrears	**471**	**201**	480	199
Impaired 182 to 273 days in arrears	**5**	**3**	10	6
Impaired 273 to 365 days in arrears	**12**	**10**	3	2
Impaired over 365 days in arrears	**86**	**-**	-	-
Impaired over limit facilities over 14 days in arrears	**7**	**15**	37	22
Total	**196,489**	**229**	193,926	229

Impaired loans are generally not secured against residential property. Some impaired loans are secured by 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 balance date due to the variety of assets and conditions.

NOTES TO THE FINANCIAL STATEMENTS

f. Loans with repayments past due but not regarded as impaired

There are loans which are not considered to be impaired as the value of related security over residential property is in excess of the loan due. It is not practicable to determine the fair value of all collateral as at the balance date due to the variety of assets and condition.

Loans with repayments past due but not impaired are in arrears as follows:

	Within 3 Months $'000	3 - 6 Months $'000	6 - 12 Months $'000	Over 12 Months $'000	Total $'000
2014					
Mortgage secured	**415**	**-**		**86**	**501**
Personal loans	**23**	**-**	**-**	**-**	**23**
Credit cards and overdrafts	**203**	**-**	**-**	**-**	**203**
Commercial	**-**	**-**	**-**	**-**	**-**
Total	**641**	**-**	**-**	**86**	**727**
2013					
Mortgage secured	1,104	293	71	-	1,468
Personal loans	248	-	-	-	248
Credit cards and overdrafts	435	-	-	-	435
Commercial	-	215	-	-	215
Total	1,787	508	71	-	2,366

g. Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report the Credit Union has determined the likely impairment loss on loans which have not maintained loan repayments in accordance with the loan contract. In identifying the impairment likely from these events, the Credit Union is required to estimate the potential impairment using the period 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. AVAILABLE FOR SALE INVESTMENTS

	2014 $'000	2013 $'000
Investment in AMIT Capital Securities	**400**	400
Shares in unlisted companies – at cost		
- Cuscal Limited (refer note 33)	**714**	714
- TransAction Solutions Limited (refer note 33)	**20**	20
Total value of investments	**1,134**	1,134

NOTES TO THE FINANCIAL STATEMENTS

Cuscal Limited
The shareholding in Cuscal is measured at its cost value in the Statement of Financial Position. This company supplies services to the member organisations which are primarily mutual banks and credit unions. The Credit Union holds shares in Cuscal to enable the Credit Union to receive essential banking services – refer also to Note 33. The shares are able to be traded within a market limited to other Cuscal eligible shareholders. The volume of total shares traded is low.

The Credit Union is not intending to dispose of these shares.

Transaction Solutions (TAS) Limited
The shareholding in TAS is measured at its cost value in the Statement of Financial Position. This company supplies services to the member organisations which are primarily mutual banks and credit unions. The Credit Union holds shares in TAS to enable the Credit Union to receive essential core banking IT services – refer also to Note 33. The shares are able to be traded but within a market limited to other TAS eligible shareholders. The volume of total shares traded is low.

The Credit Union is not intending to dispose of these shares.

Australian Mutual Investment Trust (AMIT)
The Credit Union acquired AMIT Capital Securities as an investment in October 2012 to support mutual industry capital and term funding endeavours.

The AMIT investment is measured at its cost value in the Statement of Financial Position. The full term of the investment is 10 years. The investment can also be redeemed at an earlier time at the discretion of the AMIT trustee. The redemption amount is the outstanding principal investment amount at the time of the redemption.

		2014 $'000	2013 $'000
11.	**PROPERTY, PLANT AND EQUIPMENT**		
	Fixed assets		
	Land and buildings – at fair value	**6,900**	6,900
	Provision for depreciation	**(118)**	-
	Total land & buildings	**6,782**	6,900
	Plant and equipment – at cost	**1,377**	1,530
	Provision for depreciation	**(1,119)**	(1,221)
		258	309
	Capitalised leasehold improvements at cost	**485**	485
	Provision for amortisation	**(485)**	(430)
		-	55
	Total property, plant and equipment	**7,040**	7,264

Land and buildings – valuation

Land and buildings have been valued at a market value:	**6,900**	6,900

The value has been based upon an independent valuation. The most recent valuation was performed by Darren Keen of Keen Property Pty Ltd, Certified Practicing Valuer No. 2542 effective from 30 June 2013. The valuation was based on the direct comparison to recent market values in the surrounding area.

NOTES TO THE FINANCIAL STATEMENTS

Movements in the asset balances during the year were:

	2014				2013			
	Land and Buildings	**Plant and equipment**	**Leasehold improvements**	**Total**	Land and Buildings	Plant and equipment	Leasehold improvements	Total
	$'000	**$'000**	**$'000**	**$'000**	$'000	$'000	$'000	$'000
Opening balance	**6,900**	**309**	**55**	**7,264**	4,894	342	138	5,374
Revaluation	**-**	**-**	**-**		1,936	-	-	1,936
Purchases	**-**	**72**	**-**	**72**	159	133	-	292
Assets disposed	**-**	**-**	**-**	**-**	-	(23)	-	(23)
Depreciation charge	**(118)**	**(123)**	**(55)**	**(296)**	(89)	(143)	(83)	(315)
Balance at the end of the year	**6,782**	**258**	**-**	**7,040**	6,900	309	55	7,264

12. TAXATION ASSETS

	2014 $'000	2013 $'000
Deferred tax asset	**391**	376
Deferred tax asset comprises		
Accrued expenses not deductible until incurred	**17**	14
Provisions for impairment on loans	**69**	69
Provisions for employee benefits	**290**	250
Fixed assets	**48**	38
Unamortised loan origination fees	**25**	28
TAS share scrip rollover	**(19)**	(19)
Prepayments	**(14)**	-
Deferred income	**(25)**	(4)
	391	376

13. INTANGIBLE ASSETS

Computer software	**670**	557
Provision for amortisation	**(550)**	(507)
	120	50
Movement in the assets balances during the year were:		
Opening balance	**50**	36
Purchases	**136**	45
Amortisation charge	**(66)**	(31)
Balance at the end of the year	**120**	50

NOTES TO THE FINANCIAL STATEMENTS

	2014 $'000	2013 $'000
14. BORROWINGS		
General Borrowings	**2,000**	2,000
Overdraft	**872**	-
	2,872	2,000

	2014 $'000	2013 $'000
15. DEPOSITS FROM MEMBERS		
Member deposits		
- at call	**131,998**	123,940
- term	**103,571**	100,294
Member withdrawable shares	**172**	183
Total deposits & shares	**235,741**	224,417

Member deposits at balance date were principally received from individuals residing in Australia. A significant proportion of members are employed in the government transport industry.

	2014 $'000	2013 $'000
16. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS		
Creditors and accruals	**314**	389
Interest payable on deposits	**984**	1,162
Sundry creditors	**695**	329
Total amounts payable	**1,993**	1,880

	2014 $'000	2013 $'000
17. TAXATION LIABILITIES		
Provision for income tax	**141**	298
Provision for income tax comprises:		
Provision – previous year	**298**	108
Amount paid	**(297)**	(121)
Over/(under) statement in prior year transferred to tax expense	**1**	(13)
Provision for tax for current year	**315**	416
Instalments paid in current year	**(174)**	(118)
	141	298

	2014 $'000	2013 $'000
18. PROVISIONS		
Long service leave	**721**	604
Annual leave	**200**	206
Other – Card Fraud	**45**	25
	966	835

	2014 $'000	2013 $'000
19. DEFERRED INCOME TAXATION LIABILITIES		
Provisions for deferred income tax	**912**	912
Deferred income tax liability comprises:		
Tax on re-valued property held in equity	**912**	912

NOTES TO THE FINANCIAL STATEMENTS

20. CAPITAL RESERVE ACCOUNT

	2014 $'000	2013 $'000
Balance at the beginning of the year	**251**	238
Transfer from retained earnings on share redemptions	**9**	13
Balance at the end of year	**260**	251

Share Redemption
The capital reserve account represents the amount of redeemable preference shares redeemed by the Credit Union since 1 July 1999. Legislation requires that the redemption of the shares be made out of profits. Since the value of the shares has been paid to members in accordance with the terms and conditions of the share issue, the capital reserve account represents the amount of profits appropriated to the account.

21. ASSET REVALUATION RESERVES

	2014 $'000	2013 $'000
Asset revaluation reserve – land & buildings		
Balance at start of year	**3,625**	2,270
Increase due to revaluation	**-**	1,936
Deferred tax liability	**-**	(581)
Total asset revaluation reserves	**3,625**	3,625

22. GENERAL RESERVE FOR CREDIT LOSSES

	2014 $'000	2013 $'000
General reserve for credit losses	**700**	650

General reserve for credit losses
This reserve records amount previously set aside as a general provision and is maintained to comply with the APRA Prudential Standards

	2014 $'000	2013 $'000
Balance at start of year	**650**	580
Increase (decrease) transferred from retained earnings	**50**	70
Balance at end of year	**700**	650

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

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

The Credit Union's risk management focuses on the major areas of market risk, liquidity risk, credit risk and operational risk. Authority flows from the Board to the Board Risk Committee and the Board Audit Committee. Both these committees are integral to the management of risk. The main elements of risk governance are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

Board Risk Committee: This is a key body in the monitoring of risk. The committee, which comprises representatives from the Board, works closely with representatives of management. The Board Risk Committee does not form a view on the acceptability of risks but rather reviews risks and controls that are used to mitigate those risks and makes recommendations to the Board. This includes the identification, assessment and reporting of risks. Monitoring is carried out by the Board Risk Committee through the regular review of operational reports. Risk controls are also reviewed by the Board Risk Committee to confirm whether risks are within the parameters outlined by the Board.

Board Audit Committee: Its key role in risk management is the monitoring of the controls that are in place to mitigate risks. The Board Audit Committee considers and confirms that the assessment of significant risks and controls is incorporated into the internal audit plan. The Board Audit Committee receives the internal audit reports and provides feedback to the Board and the Board Risk Committee for their consideration.

Credit Risk Committee – Credit risk: This management committee meets at least monthly and has responsibility for managing and reporting credit risk exposure. It scrutinises operational reports and monitors exposures against limits determined by the Board. The committee also determines the credit risk of loans in the banking book, ensures provisioning is accurate and determines controls that need to be put in place regarding the authorisation of new loans.

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

The committee ensures that all large credit exposure facilities are approved in accordance with authorisation requirements stipulated in Board policy.

Asset and Liability Committee (ALCO) – Market risk: This management committee meets at least monthly and has responsibility for managing interest rate risk exposures, and ensuring that the finance functions adhere to exposure limits outlined in the Market Risk Management Policy.

Internal Audit: The internal audit process is performed on an outsourcing basis by Grant Thornton Audit Pty Ltd. A comprehensive Internal Audit Plan details the actions to be performed and the frequency of their action. The internal audit process undertakes the testing of controls and the assessment of the Credit Union’s operations in accordance with the requirements of the Board Audit Committee.

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

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 position or results. The Credit Union is not directly exposed to currency risk or other significant price risk. The Credit Union is exposed only to interest rate risk arising from changes in market interest rates.

The management of market risk is the responsibility of the ALCO committee.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

Interest rate risk on the banking book is measured, reported and actioned by the ALCO at least monthly. ALCO recommendations are reported to the Board at each Board meeting.

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 should interest rates change.

The level of mismatch in the banking book is set out in Note 27. The table set out at Note 27 displays the period that each asset and liability will reprice as at the balance date.

Method of managing risk

The Credit Union performs interest rate sensitivity analysis to assist with the management of interest rate risk. The assumptions used to perform interest rate sensitivity analysis are set out below.

Interest rate sensitivity analysis

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

The Credit Union performs interest rate sensitivity analysis to assist with the management of its interest rate risk. This is performed by measuring the net interest rate repricing gap between assets and liabilities and ensuring that the resulting exposures are quantified and managed. Identified excessive repricing mismatch risks can be mitigated through targeted fixed rate interest products available through investment assets and term deposit liabilities. There are no derivative transactions at balance date.

The interest rate risk profile is performed using systems provided by Protecht.ALM Pty Ltd, an independent risk management consultancy firm. The Board monitors the risks through the reports generated by this system.

Based on the calculations as at the Statement of Financial Position date, a 1% upwards movement in market interest rates would result in an increase in annual net profit of $6,200 (2013 $148,400) which equates to an impact on total equity of 0.2% (2013: 0.4%). Conversely, a 1% downwards movement in market interest rates would result in a decrease in annual net profit by a similar amount.

Interest rate sensitivity analysis measures the profit impact resulting from timing changes in the banking book of the Credit Union for the next 12 months.

The calculation is performed based on the following assumptions:
- interest rate changes would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- 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;
- access savings deposits would not reprice in the event of a rate change;
- fixed rate loans would all reprice to the new interest rate at the contracted date;
- mortgage loans would reprice to the new interest rate within 28 days;
- personal loans would reprice after a 3 month delay;
- all loans would be repaid in accordance with the current average repayment rate (or contractual repayment terms);
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no material 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.

NOTES TO THE FINANCIAL STATEMENTS

b. Liquidity risk

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments. It is the policy of the Board that the Credit Union maintains adequate cash reserves and committed credit facilities so as to meet 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, Credit Union Financial Support Services (CUFSS), which can access industry funds to provide support to the Credit Union should it be necessary at short notice.

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential Standards. The Credit Union policy is to apply a minimum 12% 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, management and the Board would generally address the matter by raising funds from new deposits or by drawing down on the borrowing facilities available. Note 30 describes the borrowing facilities available at balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 27. The ratio of high quality liquid funds over the past year is set out below:

	2014 **%**	2013 %
As at 30 June	**14.11**	15.09
Average for the year	**14.93**	15.22
Minimum during the year	**14.10**	13.51

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 loss. Credit risk arises principally from the Credit Union's loan book and investment assets.

Credit risk – Loans

The analysis of the Credit Union's loans by class, is as follows:

	2014 Carrying value $'000	**2014 Undrawn Facilities $'000**	**2014 Maximum exposure $'000**	2013 Carrying value $'000	2013 Undrawn Facilities $'000	2013 Maximum exposure $'000
Mortgages	**181,839**	**15,035**	**196,874**	177,170	14,519	191,689
Personal	**6,243**	**2,079**	**8,322**	7,282	1,418	8,700
Credit cards and overdrafts	**4,721**	**17,270**	**21,991**	5,428	17,653	23,081
Total to natural persons	**192,803**	**34,384**	**227,187**	189,880	33,590	223,470
Corporate borrowers	**3,686**	**-**	**3,686**	4,046	-	4,046
Total	**196,489**	**34,384**	**230,873**	193,926	33,590	227,516

NOTES TO THE FINANCIAL STATEMENTS

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 but not advanced, redraw facilities, line of credit facilities, overdraft facilities and credit card limits).

The Credit Union has established policies which address:

- credit assessment and the approval requirements of loans and facilities;
- security requirements;
- limits of acceptable exposure;
- reassessment and review of the credit exposures;
- establishing appropriate provisions to recognise the impairment of loans and facilities;
- debt recovery procedures; and
- 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. Past due does not mean that the 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, loans are regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to detect delays in repayments. Recovery action is generally undertaken within 7 days. External collection agents may be engaged to assist with recovery action where this is deemed appropriate. The exposures to losses arise predominantly in 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 judgements about a counterparty's financial situation and the net realisable value of any underlying collateral.

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 secured 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

Loans secured by residential property in Australia represent a significant proportion of the loan book. The Credit Union is therefore exposed to declines in the Loan to Value Ratio (LVR) 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 majority of loans secured by residential mortgages carry a LVR of 80% or less. Note 8b describes the nature and extent of the security held against the loans held as at the balance date.

NOTES TO THE FINANCIAL STATEMENTS

Concentration risk

Concentration risk is a measurement of the Credit Union's exposure to an individual counterparty (or group of related parties). If prudential limits are exceeded as a proportion of the Credit Union's regulatory capital (10 per cent) a large exposure is considered to exist. No additional 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 8c. The Credit Union holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored.

Credit risk – investments

There is a concentration of credit risk with respect to investment receivables with the placement of investments. Directors have established a policy to manage this risk.

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and by limiting the extent of exposure to any one organisation.

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal. This is to permit the scheme to have adequate resources to meet its obligations if needed. Cuscal hold a rating of A+ long term and A-1 short term.

d. Operational risk

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

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices 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 errors and inappropriate behavior;
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to the Credit Union promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems or premises or staff; and
- annual business unit reviews conducted by the Audit and Compliance Manager.

Fraud

The Credit Union is exposed to losses from a range of fraudulent activities.

The Credit Union has systems in place which are considered to be robust enough to prevent any material loss from fraud.

NOTES TO THE FINANCIAL STATEMENTS

IT systems

The Credit Union has outsourced the IT systems management to TAS which is owned by a group of credit unions. This organisation has the experience to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf of the Credit Union by the industry body, Cuscal, to service the settlements with other financial institutions for a range of transactions which include direct entry, ATM, Visa and Bpay.

The worst case scenario for IT systems identified would be the failure of the Credit Union's core banking system and the failure of IT network suppliers leading to the inability of the Credit Union to meet member obligations and service requirements.

To mitigate this risk a full disaster recovery plan is in place to cover medium to long-term problems.

e. Capital management

The capital levels are prescribed by APRA. Under the APRA Prudential Standards (APS) capital is determined in three components:
- credit risk;
- market risk (trading book); and
- 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
Tier 1 capital of the Credit Union comprises:
- Retained profits
- Realised reserves
- Asset Revaluation Reserves on Property

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 of the Credit Union includes:
- A general reserve for credit losses.
- Available for sale reserve which arises from the revaluation of financial instruments categorised as available for sale and reflects the net gains in the fair value of those assets in the year. This is included within upper Tier 2 capital.

Capital in the Credit Union is made up as follows:

	2014 $'000	2013 $'000
Tier 1 Common equity		
Asset revaluation reserve	**3,625**	3,625
Retained earnings and capital reserve	**33,298**	32,515
	36,923	36,140
Less prescribed deductions	**(1,630)**	(1,560)
Net tier 1 capital	**35,293**	34,580
Tier 2		
General reserve for credit losses	**700**	650
Less prescribed deductions	**-**	-
Net tier 2 capital	**700**	650
Total Tier 1 and Tier 2 capital	**35,993**	35,230

NOTES TO THE FINANCIAL STATEMENTS

The APRA Prudential Standard APS 110 requires that a minimum capital level of 8% as compared to the risk weighted assets is maintained at any given time. The Board has set a policy to maintain a minimum total capital level of 13% as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance Note AGN 112-1. Risk weightings are applied based on the level of underlying security.

The Credit Union Statement of Financial Position assets are risk weighted as follows:

	Risk Weighting %	**Carrying Value 2014 $'000**	**Risk Weighted Value 2014 $'000**
Cash	0%	**261**	**-**
Deposits in highly rated ADIs	20% - 50%	**74,094**	**27,695**
Standard loans secured against eligible residential mortgages	35%	**157,184**	**55,014**
Standard loans secured against eligible residential mortgages over 80% LVR	36% - 100%	**22,921**	**11,551**
Other assets	0%- 400%	**24,084**	**23,469**
Total Statement of Financial Position risk weighted assets		**278,544**	**117,729**

	Risk Weighting %	Carrying Value 2013 $'000	Risk Weighted Value 2013 $'000
Cash	0%	333	-
Deposits in highly rated ADIs	20% - 50%	63,736	25,990
Standard loans secured against eligible residential mortgages up to 80% LVR	35%	153,079	53,578
Standard loans secured against eligible residential mortgages over 80% LVR	36% - 100%	22,454	11,398
Other assets	0%- 400%	26,162	25,345
Total Statement of Financial Position risk weighted assets		265,764	116,311

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

2014	**2013**	**2012**	**2011**	**2010**
26.10%	26.20%	25.94%	24.98%	25.70%

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

To manage the Credit Union's capital the Board and management review the ratio monthly and monitor major movements in asset levels. A three (3) year capital forecast of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

Pillar 2 – Capital requirement for operational risk exposures

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

Based on this approach, the Credit Union's operational risk capital requirement at balance date was $15,557,696 (2013: $14,876,769). It is considered that the standardised approach accurately reflects the Credit Union's operational risk.

NOTES TO THE FINANCIAL STATEMENTS

24. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

	2014 $'000	2013 $'000
Financial assets – at amortised cost		
Cash	**9,374**	9,930
Receivables from financial institutions	**36,000**	25,000
Investment securities	**28,562**	28,659
Receivables – interest	**415**	478
Loans to members	**196,176**	193,604
Total loans and receivables	**270,527**	257,671
Available for sale investments **–** at cost	**1,134**	1,134
Total financial assets	**271,661**	258,805
Financial liabilities – at amortised cost		
Short term borrowings	**2,872**	2,000
Creditors	**1,298**	1,551
Deposits from members	**235,741**	224,417
Total financial liabilities	**239,911**	227,968

NOTES TO THE FINANCIAL STATEMENTS

25. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Monetary assets and liabilities have differing maturity profiles depending on the contractual term. The table below shows the period in which different monetary assets and liabilities held, will mature and be eligible for renegotiation or withdrawal. 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.

2014	**Within 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**After 5 years**	**No Maturity**	**Total cash flows**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets							
Cash	**9,113**	**-**	**-**	**-**	**-**	**261**	**9,374**
Receivables from ADI's	**13,518**	**10,061**	**12,672**				**36,251**
Investment securities	**-**	**12,932**	**15,941**				**28,873**
Loans to members	**5,716**	**3,326**	**14,064**	**65,807**	**240,453**	**-**	**329,366**
Available for sale	**-**	**-**	**-**	**-**	**400**	**734**	**1,134**
Total financial assets	**28,347**	**26,319**	**42,677**	**65,807**	**240,853**	**995**	**404,998**
Financial liabilities							
Borrowings	**2,878**	**-**	**-**	**-**	**-**	**-**	**2,878**
Deposits from members call	**131,998**	**-**	**-**	**-**	**-**	**172**	**132,170**
Deposits from members term	**14,574**	**28,034**	**54,958**	**7,540**	**-**	**-**	**105,106**
Creditors	**-**	**-**	**-**	**-**	**-**	**314**	**314**
Total financial liabilities	**149,450**	**28,034**	**54,958**	**7,540**	**-**	**486**	**240,468**

2013	Within 1 month	1-3 months	3-12 months	1-5 years	After 5 years	No Maturity	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Cash	9,597	-	-	-	-	333	9,930
Receivables from ADI's	4,510	12,595	8,116	-	-	-	25,221
Investment securities	3,961	21,863	2,980	-	-	-	28,804
Loans to members	1,745	3,469	14,450	65,908	247,085	-	332,657
Available for sale	-	-	-	-	400	734	1,134
Total financial liabilities	19,813	37,927	25,546	65,908	247,485	1,067	397,746
Financial liabilities							
Borrowings	2,005	-	-	-	-	-	2,005
Deposits from members call	123,940	-	-	-	-	183	124,123
Deposits from members term	12,761	31,931	48,999	8,342	-	-	102,033
Creditors	-	-	-	-	-	389	389
Total financial liabilities	138,706	31,931	48,999	8,342	-	572	228,550

NOTES TO THE FINANCIAL STATEMENTS

26. CURRENT AND NON CURRENT PROFILE

The table below represents the maturity profile detailed in Note 25 summarised at discounted values. The contractual arrangements best represents the estimated minimum amount of repayment on the loans, liquid investments and on the member deposits within 12 months. While the liquid investments and member deposits are presented in the table below on a contractual basis, as part of our normal banking operations we would expect a large proportion of these balances to roll over. Loan repayments are generally accelerated by members choosing to repay loans earlier. These advance repayments are at the discretion of the members and not able to be reliably estimated.

	2014			2013		
	Within 12 months $000	**After 12 months $000**	**Total $000**	Within 12 months $000	After 12 months $000	Total $000
Financial assets						
Cash	**9,374**	**-**	**9,374**	9,930	-	9,930
Liquid Investments	**36,000**	**-**	**36,000**	25,000	-	25,000
Investments	**28,562**	**-**	**28,562**	28,659	-	28,659
Receivables	**415**	**-**	**415**	478	-	478
Loans & advances	**8,394**	**187,782**	**196,176**	8,575	185,029	193,604
Available for sale	**-**	**1,134**	**1,134**	-	1,134	1,134
Total financial assets	**82,745**	**188,916**	**271,661**	72,642	186,163	258,805

Financial liabilities						
Borrowings	**2,872**	**-**	**2,872**	2,000	-	2,000
Deposits from other financial institutions	**-**	**-**	**-**	-	-	-
Deposits from members – Savings	**131,998**	**172**	**132,170**	123,940	183	124,123
Deposits from members – Term	**96,366**	**7,205**	**103,571**	92,467	7,827	100,294
Creditors	**1,298**	**-**	**1,298**	1,551	-	1,551
Total financial liabilities	**232,534**	**7,377**	**239,911**	219,958	8,010	227,968

NOTES TO THE FINANCIAL STATEMENTS

27. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

The following tables detail those assets and liabilities exposed to interest rate change:

2014	**Within 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**After 5 years $'000**	**Non interest bearing $'000**	**Total $'000**
ASSETS							
Cash	**9,113**	**-**	**-**	**-**	**-**	**261**	**9,374**
Advances to other financial institutions	**13,500**	**10,000**	**12,500**	**-**	**-**	**-**	**36,000**
Investment securities	**-**	**12,855**	**15,707**	**-**	**-**	**-**	**28,562**
Receivables	**-**	**-**	**-**	**-**	**-**	**415**	**415**
Loans & advances	**120,801**	**4,321**	**17,516**	**53,538**	**-**	**-**	**196,176**
Available for sale	**-**	**400**	**-**	**-**	**-**	**734**	**1,134**
Total financial assets	**143,414**	**27,576**	**45,723**	**53,538**	**-**	**1,410**	**271,661**
LIABILITIES							
Borrowings	**2,872**	**-**	**-**	**-**	**-**	**-**	**2,872**
Deposits from members	**146,550**	**27,878**	**53,936**	**7,205**	**-**	**172**	**235,741**
Creditors	**-**	**-**	**-**	**-**	**-**	**1,298**	**1,298**
Total financial liabilities	**149,422**	**27,878**	**53,936**	**7,205**	**-**	**1,470**	**239,911**
Undrawn commitments	**34,384**	**-**	**-**	**-**	**-**	**-**	**34,384**
Total financial liabilities and undrawn commitments	**183,806**	**27,878**	**53,936**	**7,205**	**-**	**1,470**	**274,295**

2013	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	After 5 years $'000	Non interest bearing $'000	Total $'000
ASSETS							
Cash	9,597	-	-	-	-	333	9,930
Advances to other financial institutions	4,500	12,500	8,000	-	-	-	25,000
Investment securities	3,954	21,752	2,953	-	-	-	28,659
Receivables	-	-	-	-	-	478	478
Loans & advances	140,933	504	6,395	45,772	-	-	193,604
Available for sale	-	400	-	-	-	734	1,134
Total financial assets	158,984	35,156	17,348	45,772	-	1,545	258,805
LIABILITIES							
Borrowings	2,000	-	-	-	-	-	2,000
Deposits from members	136,678	31,708	48,022	7,826	-	183	224,417
Creditors	-	-	-	-	-	1,551	1,551
Total financial liabilities	138,678	31,708	48,022	7,826	-	1,734	227,968
Undrawn commitments	33,590	-	-	-	-	-	33,590
Total financial liabilities and undrawn commitments	172,268	31,708	48,022	7,826	-	1,734	261,558

NOTES TO THE FINANCIAL STATEMENTS

28. NET FAIR VALUE OF ASSETS AND LIABILITIES

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

Non-financial assets carried on balance sheet at fair value include property as disclosed in Note 11.

All other assets and liabilities are carried on the balance sheet at book value which is equivalent to their amortised cost using the effective interest method; this approximates fair value.

AASB 13 - Fair Value Measurement requires financial and non-financial assets and liabilities measured at fair value to be disclosed according to their position in the fair value hierarchy. This hierarchy has three levels as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Property is classified within Level 3 of the fair value hierarchy at 30 June 2014. There were no transfers between levels within the fair value hierarchy during the financial year.

The description of the valuation technique and the inputs used in the fair value measurement for property is summarised in Note 11.

		2014	2013
		$'000	$'000
29.	**FINANCIAL COMMITMENTS**		
a.	**Outstanding loan commitments**		
	Loans approved but not funded	**3,030**	435
b.	**Loan redraw facilities**		
	Loan redraw facilities available	**14,083**	15,502
c.	**Undrawn borrowing facilities**		
	Loan facilities available to members for overdrafts, credit cards and line of credit loans are as follows:		
	Total value of facilities approved	**26,826**	28,366
	Less Amount advanced	**(9,555)**	(10,713)
	Net undrawn value	**17,271**	17,653
	These commitments are contingent on members maintaining credit standards and on-going repayment terms on amounts drawn.		
	Total Financial commitments	**34,384**	33,590
d.	**Computer commitments**		
	The costs committed under contracts with TAS and UDA are as follows:		
	Not later than one year	**598**	745
	Later than 1 year but not 2 years	**414**	518
	Later than 2 years but not 5 years	**-**	354
	Later than 5 years	**-**	-
		1,012	1,617

NOTES TO THE FINANCIAL STATEMENTS

		2014 $'000	2013 $'000
e.	**Lease expense commitments for operating leases on property occupied by the Credit Union**		
	Not later than one year	**360**	540
	Later than one year but not later than five years	**571**	286
	Over five years	**-**	-
		931	826

Future minimum lease payments expected to be received under non-cancellable leases at the reporting date are $253,798 (2013: $401,450).

The operating leases are in respect of property used for providing branch and/or ATM services to members. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 6 years and options for renewal are usually obtained for a further 3 to 6 years.

There are no restrictions imposed on the Credit Union so as to limit the ability to undertake further leases, borrow funds or issue dividends (although these are subject to restrictions in the Constitution).

30. STANDBY BORROWING FACILITIES

The Credit Union maintains the following guaranteed borrowing facilities with Cuscal:

2014	**Gross $'000**	**Current Borrowing $'000**	**Net Available $'000**
Loan facility	**-**	**-**	**-**
Overdraft facility	**3,000**	**872**	**2,128**
Total standby borrowing facilities	**3,000**	**872**	**2,128**

2013	Gross $'000	Current Borrowing $'000	Net Available $'000
Loan facility	-	-	-
Overdraft facility	3,000	-	3,000
Total standby borrowing facilities	3,000	-	3,000

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

31. CONTINGENT LIABILITIES

Liquidity support scheme
The Credit Union is a member of the Credit Union Financial Support Scheme Limited (CUFSS) a company limited by guarantee, established to provide financial support to member credit unions in the event of a liquidity or capital problem. As a member, the Credit Union is committed to maintaining 3.2% of the total assets as deposits with Cuscal.

Under the terms of the Industry Support Contract (ISC), the maximum call for each participating credit union would be 3.2% of the credit union's total assets (3% under loans and facilities and 0.2% under the cap on contributions to permanent loans). This amount represents the participating credit union's irrevocable commitment under the ISC. At the Statement of Financial Position date there were no loans issued under this arrangement.

NOTES TO THE FINANCIAL STATEMENTS

Guarantees

The Credit Union has facilitated the issuance of Guarantees and Transaction Negotiation Authorities on behalf of Members for Property Acquisition and Trade Creditor requirements. The facilities amount to $110,300 (2013: $10,000). Guarantees and authorities are secured by term deposit or other deposit funds.

32. DISCLOSURES ON DIRECTORS and other KEY MANAGEMENT PERSONNEL (KMP)

a. Remuneration of KMP

KMP are those Directors and employees having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

KMP have been taken to comprise of the 8 Directors (2013: 8) and the 3 (2013: 3) members of executive management responsible for the day to day financial and operational management of the Credit Union.

The aggregate compensation of KMP during the year comprising amounts paid, payable or provided for was as follows:

		2014 Directors and other KMP $	2013 Directors and other KMP $
(i)	short-term employee benefits	**897,130**	858,523
(ii)	post employment benefits - superannuation contributions	**101,009**	90,861
(iii)	other long term benefits - net increases in long service leave provision	**29,769**	29,630
Total		**1,027,908**	979,014

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries, superannuation contributions, paid annual leave, paid sick leave, bonuses and the value of fringe benefits received. It excludes out of pocket expense reimbursements.

All remuneration to Directors was approved by the members at the previous Annual General Meeting of the Credit Union.

The total remuneration paid in aggregate to Directors during the year ending 30 June 2014 was $177,521 (2013: $163,472).

b. Loans to Directors and other KMP

		2014 $	2013 $
(i)	Aggregate value of loans and facilities to KMP	**1,272,808**	1,229,346
(ii)	Total value of revolving credit facilities to KMP	**259,000**	259,000
	Amounts drawn down and included in (i)	**(10,862)**	(27,871)
	Net balance available	**248,138**	231,129
(iii)	Aggregate value of loans disbursed to KMP during the year.		
	Revolving credit facilities	**-**	-
	Term loans	**141,118**	485,490
		141,118	485,490

NOTES TO THE FINANCIAL STATEMENTS

	2014 $'000	2013 $'000
(iv) Aggregate value of revolving credit facility limits granted to KMP during the year.	**-**	-
(v) Interest and other revenue earned on loans and revolving credit facilities to KMP	**60,462**	68,423

The Credit Union's policy for lending to KMP is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit with the exception of certain loans to KMP who are not Directors.

KMP who are not Directors may receive a concessional rate of interest on their loans and facilities, in accordance with the Enterprise Agreement between the Credit Union and its employees.

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

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

	2014 $	2013 $
Other transactions between related parties including deposits from KMP		
Total value term and savings deposits from KMP	**429,729**	**156,628**
Total interest paid on deposits to KMP	**4,123**	**2,514**

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

c. Transactions with other related parties

Other transactions between related parties include deposits from Director related entities or close family members of KMP.

The Credit Union's policy for receiving deposits from related parties is that all transactions are approved and deposits accepted on the same terms and conditions which are available to other members for each type and size of deposit.

There are no benefits paid or payable to the close family members of KMP.

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

NOTES TO THE FINANCIAL STATEMENTS

33. OUTSOURCED ARRANGEMENTS

The Credit Union has outsourcing arrangements with the following suppliers of services.

a. Cuscal Limited (Cuscal)

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

(i) provides the license rights to Visa Card in Australia and facilitates settlement arrangements with Bankers for ATM, Visa Card and cheque transactions, as well as the production of Visa Cards and Redicards for use by members;

(ii) provides treasury and money market facilities to the Credit Union. The Credit Union has investments in the form of high quality liquid assets with Cuscal to maximise return on funds, and to comply with the Liquidity Support Scheme requirements;

(iii) this company operates the computer network used to link Redicards and Visa cards operated through Reditellers and other approved ATM providers to the credit union's EDP Systems.

b. Ultradata Australia Pty Limited (UDA)

This entity provides and maintains the application software utilised by the Credit Union.

c. TransAction Solutions Limited (TAS)

This entity operates the computer facility on behalf of the Credit Union in conjunction with other credit unions. The Credit Union has a management contract with the company to supply computer support staff and services to meet the day-to-day needs of the Credit Union and compliance with the relevant APRA Prudential Standards.

34. SUPERANNUATION LIABILITIES

The Credit Union contributes to various employee selected superannuation funds for the purpose of Superannuation Guarantee payments and the payment of other superannuation benefits on behalf of employees. The funds are administered independently. The Credit Union has no interest in the various superannuation funds, other than as a contributor.

NOTES TO THE FINANCIAL STATEMENTS

35. NOTES TO STATEMENT OF CASH FLOWS

	2014 $'000	2013 $'000
a. Reconciliation of cash		
Cash includes cash on hand, and deposits at call with other financial institutions and comprises:		
Cash on hand	**261**	333
Deposits at call	**9,113**	9,597
Overdraft	**(872)**	-
Total cash	**8,502**	9,930
b. Reconciliation of cash from operations to accounting profit		
The net cash increase/(decrease) from operating activities is reconciled to the operating profit after tax.		
Profit after income tax	**846**	943
Bad debts written off	**103**	155
Depreciation expense	**362**	350
Provisions for staff leave	**111**	85
Accrued taxes	**(12)**	11
Provision for income tax	**(157)**	190
Provision for other - fraud	**20**	25
Accrued expenses	**(76)**	(54)
Interest payable	**(177)**	(599)
Provisions for loans	**-**	128
Loss (Gain) on sale of assets	**-**	(26)
Interest receivable	**63**	(79)
Prepayments	**(125)**	(15)
Sundry debtors and other receivables	**(83)**	23
Deferred tax asset	**(14)**	(65)
GST receivable	**-**	(1)
Amortised loan fees	**(9)**	11
Net cash from revenue activities	**852**	1,082
c. Non revenue operations		
Movement in loans balances	**(2,666)**	(5,360)
Movement in deposit balances	**11,497**	8,549
Movement in liquid investment balances	**(10,903)**	(899)
Net cash from operating activities	**(1,220)**	3,372

36. CORPORATE INFORMATION

The Credit Union is a company limited by shares registered under the Corporations Act 2001.
The address of the registered office is 59 Buckingham Street, Surry Hills, NSW, 2010.
The address of the principal place of business is 59 Buckingham Street, Surry Hills, NSW, 2010.

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

NOTES TO THE FINANCIAL STATEMENTS

37. EVENTS AFTER THE REPORTING PERIOD

Encompass Credit Union and Select Credit Union executed a Memorandum of Understanding (MOU) on 13 August 2014. The MOU provides that a transfer of business will take place in August 2016. The transfer will be subject to successful due diligence reviews, regulatory approval and member adoption.

No other matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the Credit Union's operations, the results of those operations, or the Credit Union's state of affairs in future years.