Annual Report 2013

people's choice
CREDIT UNION

Australian Central Credit Union Ltd (trading as People's Choice Credit Union) and its Controlled Entities

Contents

Cover photograph
People’s Choice became presenting partner of The Age Run Melbourne in 2013, supporting the growth of our business in Victoria. More than 25,000 participants raised over $1.7 million for charities at this fantastic community event in the heart of Melbourne.

Chair's and Managing Director's Report

Good progress on all fronts

People's Choice made good progress during 2012/13 towards our vision to be acknowledged as the most trusted financial services provider in Australia for people and their communities.

Our financial results were ahead of budget and we continued to support the development and growth of our business despite this tough economic environment.

This year's net profit after tax of $28.8 million was positively impacted by the sale of our former head office building in Flinders Street, Adelaide, offset by costs associated with signing a new lease for the new head office, with a net pre-tax profit impact of $6.154 million and a net after-tax profit impact of $5.438 million.

This represents a solid result during a sustained period of subdued consumer confidence. Prudent cost management has helped us maintain our profitability despite softer-than-expected sales results in some areas.

We will reinvest these profits into improving our products, services and pricing, broadening access for our 350,000 members, and making a difference to the communities in which we live and work.

This year, loan balances (on balance sheet and third party portfolios) grew by 4% to $5.6 billion, member retail deposits grew by 6% to $3.7 billion and total assets under management and advice grew to $8 billion. These results show a resilient trend of continued business growth each year.

Challenging operating environment prevails

Australian consumers remained very conservative and hesitant in 2012/13, reflecting a reluctance to spend during a period of subdued business investment, lower economic growth and slightly rising unemployment. Like most businesses, we're seeing this hesitancy and risk aversion affect our members and potential members.

Competition among financial institutions is also intense during this period of much lower credit growth. We are seeing unprecedented deals and products on offer in this tight market to protect existing business and win as much new business as possible.

Despite these challenges, the Australian economy overall is in relatively good shape in a global context, with low interest rates and inflation, relatively low unemployment, and our economy is still growing. People's Choice is well placed to adapt and respond to these conditions.

Improved banking competition a necessity

The Australian Government's attempts to improve banking competition through the introduction of its banking reform package in 2010 remains a focus for us as we continue to face increased funding costs and more costly regulation.

The Customer Owned Banking Association launched its Balance Banking campaign in February, designed to commit the Government to an independent inquiry into the nation's financial system. The campaign also drew attention to research which revealed strikingly high levels of consumer ignorance about Big Banks deliberately using multi-branding strategies to create the illusion of independence and competition on behalf of their sub-brands. People's Choice supported this campaign through our own advertising, media releases and comments, social media, and staff participation in campaigning events in the ACT, Victoria and South Australia.

During the year we've seen the emergence of another three mutual banks following the Government's decision to allow eligible credit unions and building societies to adopt the term 'bank' in their name. We proudly maintain our roots as a credit union which gives us a significant point of difference to our competitors and helps position us as a genuine alternative to the big banks.

Strategic objectives delivered for our members

Our strategy remains unchanged: be the preferred banking alternative, grow our membership, build a stronger credit union and make a difference in the community. Pleasingly, we met or exceeded the year's strategic objectives, positioning our business for future growth to meet our members' needs.

Be the preferred banking alternative

We continued to review our product lines and fee structures during the year to ensure members receive the best value while maintaining a competitive position in the market. We also streamlined our systems to improve service, and invested in tools to improve our understanding of our members to help us make more relevant and timely offers suited to their financial needs.

We introduced a more straightforward transaction account to help members simplify their banking and fees. We relaunched our Visa Debit card to give members more flexibility and security with their payments. We also enhanced our Bonus Saver and Young Savers accounts, as well as our home loan packages, all of which have helped members reach their goals more effectively.

We also focused on deepening the relationship and advice we offer our members through tailored financial planning strategies and through our One-to-One personal banking service.

Chair's and Managing Director's Report (continued)

Grow our membership

To be a strong competitor and real alternative in the market, we need to grow our membership. We were pleased to welcome 20,881 new members during the year, 6% above target.

Brand salience is a measure of the awareness of our brand and whether we are 'on the shopping list' for someone's next financial purchase. Strong brand salience provides the opportunity to start conversations and build relationships with potential members.

Our brand salience results remained very strong during the year, with People's Choice maintaining its position as the leading recognisable banking organisation in our core markets of South Australia and Northern Territory. People continue to associate our brand with strong attributes such as loans, low fees and community minded.

We are well into a major branch expansion program which has already seen branches established in Canberra and Melbourne, and existing branches refreshed.

In addition, we are increasing our membership nationwide by expanding convenient, online access to our products and services. For example, our Online Personal Loan project has resulted in online personal loans now accounting for a quarter of all our personal loans, compared to a tenth only two years ago.

Build a stronger credit union

While we're not in the business of making excessive profits, maintaining a robust level of profitability is essential to ensure we are building a stronger credit union that people want to join and know is here to stay. Once again People's Choice achieved this in 2012/13.

Standard & Poor's Ratings Services reaffirmed our credit rating as BBB+ / Stable / A2, placing us at the upper end of comparison with our peers, and supporting our ability to access alternative, competitively-priced funding such as Negotiable Certificates Of Deposit (NCDs), helping us to diversify funding risk and manage costs.

We also continued to invest in improving our systems and processes to provide a smoother, simpler, more seamless experience for our members – a case of working smarter to serve you better. For example, improvements to our National Contact Centre operations have significantly reduced the time taken to answer calls.

We have automated and simplified key processes such as home loan applications, resulting in a quicker, easier experience for members, while improving our data accuracy and quality to ensure we can better anticipate and meet our members' needs as they evolve.

The construction of our new Adelaide head office foreshadows an exciting new era in our history, and one that signifies our growth and focus to remain a strong and successful credit union. In May, Woods Bagot was appointed to lead the architecture and design of our future workspaces, our Flinders Street branch relocated nearby and demolition of the existing building commenced. Staff currently located at Optus House will join us under the one roof, increasing collaboration and efficiencies, when we open the doors of our new head office and branch in late 2015.

We continued to invest in training and developing our people to provide rewarding careers and outstanding service to our members. The engagement and loyalty of staff is demonstrated by our low turnover rate of 10.3% – well below the targeted threshold and considerably lower than the finance industry benchmark of 17% – and the results from our 2013 Values Survey which place us among the best employers.

Make a difference in the community

During the year we took great pride in supporting the economic and social wellbeing of our members and the community.

This support took many forms, including corporate social responsibility partnerships, devised with member input, with Cancer Council, The Big Issue, Riding for the Disabled, HeartKids and Life Without Barriers; the People's Choice Community Lottery, which has raised more than $11 million for more than 1,400 not-for-profit organisations over the past 30 years; and generous employee fundraising and volunteering.

We also supported major community events, such as the iconic Credit Union Christmas Pageant in Adelaide, the Bass in the Grass music festival in Darwin, and our new partnership with The Age Run Melbourne presented by People's Choice.

2013/14 outlook and strategic activities

Notwithstanding the current environment of consumer caution, we do expect business conditions to improve in 2013/14. We expect this to be slow and steady rather than resulting from a sharp burst of consumer confidence.

We will continue to pursue our well-established strategy, with a particular focus on improving our products, access and service to give our members the best possible experience with us – be that in person, online or over the phone.

Our digital presence will grow to provide a more convenient way for prospective members to research and apply for our products, and for existing members to perform their banking how and when it suits them. Our aim is to combine the convenience and efficiency of the digital world with the welcoming, personalised service of our branches and call centre – a concept we refer to as 'digital branch'.

We will also ensure we design products that take full advantage of the benefits of increasing digitisation, including transaction accounts and payments technology such as the V.me digital wallet from Visa set to launch in the first half of 2013/14.

As a financial institution, we manage a great deal of data and we are continually finding ways to use this information to benefit members, whether that's by helping them better understand their financial position or by making the right offers at the right time.

Chair's and Managing Director's Report (continued)

Board and our people

Our members voted to re-elect Anne Skipper and Terry McGuirk as Directors of the Credit Union at our Annual General Meeting in October 2012.

The Board has once again played an integral part in the success of People's Choice throughout the year. Their commitment and dedication has enabled us to advance as a leading financial services provider, not only in our core Central Australia markets but also as we continue our growth into new markets such as Victoria and the ACT.

Finally, we would like to pay tribute to our executive team and all of our staff who provide an outstanding level of service and professionalism. Their leadership of the opportunities and challenges throughout the year has ensured we maintain a strong position in the industry.

It's an exciting time for People's Choice as we look to the future with a positive outlook and continue to work together to strengthen our credit union, serve our members better and invest in our people and communities.

Bill Cossey AM, Chair

Peter Evers, Managing Director

Year in Review

Sales growth despite challenging conditions

People's Choice grew its business across nearly all product lines during 2012/13 while building our brand through innovative marketing and business development efforts. On a year-on-year basis, member deposit growth increased by 10%, total residential lending settlements increased by 29% and personal loan settlements increased by 17%.

The growth in insurance sales was a particular standout, with 22,920 general insurance policies sold to protect our members, growing by 19% compared to last year. Mutual aid sales by dollar also grew by 16% while mortgage repayment protection increased by 64%.

Our Financial Planning division performed strongly this year with solid revenue growth across key advice areas. Along with general insurance, we made concerted efforts to raise awareness of the importance of personal risk insurance, which increased the number of members undertaking risk protection policies with us resulting in 14% sales growth.

Business Banking performed well above our expectations in a very competitive and demanding environment. New loans funded were double what were achieved in the previous financial year, driven by our strategies to make business banking services more accessible for our members.

Products respond to members' needs

We created a simplified transaction account better matched to our members' transactional banking needs and took the opportunity to migrate 208,500 accounts to this easier-to-understand product. For most members this has meant no change in fees, or delivered a better outcome than their previous accounts, because they can make unlimited transactions on these accounts as well as the capacity to do this for no fee if they hold multiple products with People's Choice.

We relaunched our Visa Debit card, increasing the number of cards issued due to the safety, security and convenience of using payWave and through the removal of its annual fee.

We achieved growth of more than $193 million in deposit balances since we launched our revamped Bonus Saver and Young Saver accounts last October which help members reach their savings goals faster by receiving highly competitive bonus rates.

We also broadened the appeal of our competitive home loan package by adding fixed rate options available on terms of one to five years, and provided a new market-leading first home-buyers special offer to help ease housing affordability pressures.

To help us determine which products best suit our members, we developed software which works behind the scenes with advanced statistical analysis and modelling techniques to give us a clearer picture of our members' needs.

Responding to our members' requirements is important. We want members to know we're listening and constantly looking for ways to offer more benefits to them, whether that's through fee reductions, improved products or simply in the service and advice we provide.

Branch investment continues

Over the past year we opened six new branches across Melbourne, to complement our existing eight branches in Victoria, and two in the ACT. These branches are delivering positive results for People's Choice, backed by focused marketing and business development in their regions. Expanding into the new market of the ACT was extremely important as it allows us to continue to grow our national footprint.

We continued our program of branch refurbishments which have generated positive feedback from our members and staff. The industry-benchmark designs are increasing our profile and we're being recognised for our commitment to investing in, and growing our business, across the regions where we operate, contrary to the trend in the finance sector of branch closures and downsizing.

Digital expansion a focus

Hand in hand with investing in our physical infrastructure, we've also upgraded our digital platforms to improve member service and flexibility.

For example, we launched a streamlined online personal loan application process with near real-time pre-approvals and online verification of identity documents that speeds up and simplifies the process of applying for a loan. We introduced a number of new functions to Internet Banking, such as the ability to open and close accounts, generate email payee receipts and batch payment processing.

We also upgraded our Mobile Banking app which boasts significant improvements, increased functionality and ease of use, and has already been well received by members.

We're using social media to improve our member response times to ensure we're following up enquiries and explaining key decisions in a timely manner. This, coupled with communication about our community programs, has been effective as we now have a strong engagement rate on our social media channels.

Strong culture and leadership pathways

We are committed to setting ourselves apart by the way we deliver on our values and behaviours. Our staff Values Survey is one of the tools that helps us understand how we're going and where we need to focus our efforts to achieve our goals. The survey results in 2013 were outstanding, with 87% employee engagement and 90% of staff agreeing we are living up to our values.

We continued to invest in our staff during the year to ensure we maintained positive levels of staff engagement and retention. Additionally, we encouraged staff to take opportunities for career development and participate in programs dedicated to leadership development, emotional intelligence, professional development, member experience and study assistance.

Year in Review (continued)

We invested approximately $1 million and provided 52,380 hours of training this year which includes 9,345 hours of leadership development programs, including providing Diploma and Certificate IV management qualifications to many staff, all with the aim of developing a qualified, talented team that delivers a better experience for our members.

Community engagement grows

Community remains at the heart of People's Choice and this was evident during the year through our corporate social responsibility partnerships, the People's Choice Community Lottery, our sponsorship of major community events and the considerable generosity of our staff in the community.

People's Choice donated 4.9% of pre-tax profit to corporate community investment during 2012/13. This is 12 times the 0.4% average contribution made by major Australian and New Zealand companies (source: LBG Australia).

The widespread community impact of the People's Choice Community Lottery was recognised during the year with People's Choice receiving the South Australian Premier's Award for Corporate Social Responsibility. The 2012 Community Lottery concluded with a record $1,562,342 returned to 840 participating charities, community groups, schools and sporting clubs.

The 2013 Lottery has set a new record level of involvement, with 996 groups participating during a year when total proceeds raised for the community since the Lottery's inception surpassed $10 million. There was also a pleasing 17% increase in interstate and regional ticket allocation, including our first year of ticket sales in the ACT.

We partnered with the Santos Tour Down Under to become the naming rights sponsor of the People's Choice Classic, the opening race of the Tour, which was held in January. Our three-year partnership with Australia's largest free sporting event was highly successful, with 760,494 spectators enjoying this world-class event.

This sponsorship provided the platform to launch the People's Choice Undies Run for Bowel Cancer, which took place before the People's Choice Classic. This inaugural event exceeded all expectations – raising over $120,000 for our partner Cancer Council SA with more than 1,200 people participating to support bowel cancer screening and research.

Our $44,000 donation to Riding for the Disabled SA, to assist in the construction of a new arena at the O'Halloran Hill riding centre in South Australia, was matched with fundraising through the Community Lottery, the sale of Penny the Pony Banks in our branches and other events and initiatives. Additionally, we raised further funds for RDA in the Top End and Victoria.

We began our support of The Big Issue's Women's Subscription Enterprise, funding the employment of two women in Victoria through the purchase of 200 magazine subscriptions. This support will double and expand into South Australia during 2013.

We also made a $12,000 contribution to HeartKids, enabling the expansion of their services into the Northern Territory to work directly with childhood heart disease patients and their families through the Royal Darwin Hospital. This support will continue in 2013/14, and we will launch our partnership with Life Without Barriers, a not-for-profit organisation that helps young people to make the transition to adulthood.

The 2012 Credit Union Christmas Pageant was significant as it celebrated the Pageant's 80th anniversary. The Pageant is the only major Christmas parade of its type in Australia, attracting 350,000 people to the Adelaide CBD each year. We play an important role in the success of the Pageant and our sponsorship continued to flourish with more than 500 staff, family and friends participating in Pageant activities.

In April we announced we would become presenting partner of The Age Run Melbourne for a three-year term. The July event attracted 25,000 people and raised $1.7 million for 500 charities. Our two sponsorships in the Northern Territory, Bass in the Grass and the Teddy Bear's Picnic ran successfully with both events attracting 10,000 Territorians collectively.

Our community support goes way beyond writing cheques. We get involved as volunteers and fundraisers and leverage our business relationships to further support the community. Our staff raised $30,000 during 2012/13 through workplace programs and contributed 1,160 hours of volunteer time through our paid Volunteer Leave scheme.

Through our annual Christmas Appeal we partnered with Angels for the Forgotten to provide gifts for children in foster and crisis care. Other partners we supported, in addition to our CSR partners, included the RSPCA and a range of regional and interstate smaller organisations.

Directors' Report

The Directors present their report together with the financial report of Australian Central Credit Union Ltd (the "Holding Entity"), (trading as People's Choice Credit Union) and the consolidated financial report of the Consolidated Entity, being the Holding Entity and its controlled entities, for the year ended 30 June 2013 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Holding Entity at any time during or since the end of the financial year are:

William Raymond Cossey AM
Non-Executive Chair
B.Sc, FAICD

John Leonard Cossons
Non-Executive Deputy Chair
FAMI, MAICD

Peter Hans Torsten Evers
Managing Director
BA (Acc), FCPA, FAICD, SF Fin

Dr Rosemary Helen Simon Brooks
Non-Executive Director
PhD, MBA, MA, BA (Hons), LLB (Hons), GDLP, FAICD, FAMI, JP

Stephen Mark Day
Non-Executive Director
B.Bus, Grad Dip (Applied Finance and Investment), FAICD, SA Fin

Edward Terrence McGuirk
Non-Executive Director
BA (Hons), FAICD, FAMI, SA Fin

Jan McMahon
Non-Executive Director
BA (Hons), FAICD, AFAMI

Kathryn Anne Skipper AM
Non-Executive Director
Dip. Nursing, FAICD, FAIM

Details of Directors, their experience and any special responsibilities, are set out in the Online Annual Report, which is available from our website at www.peopleschoicecu.com.au. Organisations with which certain Directors have associations, also set out in the Online Annual Report, conduct business with the Holding Entity on standard terms and conditions.

Directors were in office from the beginning of the financial year until the date of this report.

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors during the financial year is shown in the Corporate Governance Statement commencing on page 13.

CORPORATE SECRETARY

Mrs Rosie Bolingbroke BCom (Commercial Law), FCSA, FCIS, AIPA was appointed to the position of Corporate Secretary on 21 January 2013. Mr Peter Evers continues to act as an alternate Corporate Secretary.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were the provision of loans to members and customers (including "Choice of Home Loans" via a panel of lenders), savings and investment facilities, the sale of insurance policies, Mutual Aid, financial planning and corporate superannuation services. There was no significant change in the nature of these activities during the year.

Directors' Report (continued)

DIVIDENDS

The Holding Entity's Constitution prohibits the payment of dividends on member shares.

REVIEW OF OPERATIONS

The Consolidated Entity recorded a profit after tax for the year ended 30 June 2013 of $28.825 million (2012: $22.235 million). This year's profit result has been positively impacted by the sale of the Holding Entity's former Head Office building located in Flinders Street, Adelaide offset by costs associated with signing a new lease for a new head office with a net pre-tax profit impact of $6.154 million and a net after tax profit impact of $5.438 million.

The total on balance sheet assets for the Consolidated Entity were $5.797 billion (2012: $5.824 billion), representing a decrease of $0.027 billion from 30 June 2012. On balance sheet lending disbursements for the twelve months ended 30 June 2013 were $1,059.718 million (2012: $836.308 million). Member retail deposits grew by $194.379 million (2012: $177.490 million) representing an increase of 9.52%. Mortgages under advice off balance sheet increased by 20.67% to $757.846 million during the year (2012: $628.041 million). For a further analysis of the financial year performance refer to the Chair's and Managing Director's report commencing on page 4.

STATE OF AFFAIRS

In the opinion of the Directors, there have been no significant changes in the state of affairs of the Consolidated Entity that occurred during the financial year under review not otherwise disclosed in this report or the consolidated financial statements.

DIRECTORS' INTERESTS

None of the above Directors has declared any interest in existing or proposed contracts with the Holding Entity since 1 July 2012.

EVENTS SUBSEQUENT TO THE REPORTING DATE

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

LIKELY DEVELOPMENTS

Further information as to likely developments in the operations of the Consolidated Entity and the expected results of those operations in subsequent financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Consolidated Entity.

REGULATORY DISCLOSURES

Prudential Standard APS 330 Public Disclosure requires the Consolidated Entity to meet minimum requirements for the public disclosure of information on their risk profile, risk management, capital adequacy, capital instruments and remuneration practices to contribute to the transparency of the financial markets and to enhance market discipline. This information is published on the Credit Union's public website under Regulatory Disclosures.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the period, the Holding Entity paid a premium in relation to a Directors and Officers liability insurance policy indemnifying the Directors and its Executives against certain liabilities.

The insurance contract prohibits the disclosure of the nature of the liabilities insured against and the premium paid in respect of that insurance.

Directors' Report (continued)

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

The Lead Auditor's Independence Declaration is set out on page 12 and forms part of the Directors' Report for the year ended 30 June 2013.

ROUNDING OFF

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed at Adelaide this 2nd day of September, 2013
in accordance with a resolution of the Board of Directors of the Holding Entity.

W. R. COSSEY AM	**P.H.T. EVERS**
Chair	**Managing Director**

Lead Auditor's Independence Declaration

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Australian Central Credit Union Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

KPMG

M Hinchliffe

Michelle Hinchliffe
Partner

Melbourne

2 September 2013

Corporate Governance Statement

HOW WE DO BUSINESS

Australian Central Credit Union Ltd trades as People's Choice Credit Union ("People's Choice"). The People's Choice Board and Management are committed to acting responsibly, ethically and with the highest standards of integrity to ensure that People's Choice's activities are continually structured and delivered in a manner that allows us to meet the needs of our members.

A principles based approach is taken to achieve sound corporate governance and business practices. To achieve this, policies have been adopted by the Board and cascaded throughout all levels of People's Choice. We strive to ensure that our governance "in action" is of the highest standard, consistent with our mutual underpinnings, while at the same time practical and transparent to our members. Further information can be found in the People's Choice Corporate Governance section on our website: www.peopleschoicecu.com.au.

The Board has committed to following the Australian Securities Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations, 2nd Edition" to the extent that they are applicable to People's Choice, as a mutual organisation. Further the Board has carefully considered and implemented a "fit and proper" framework in accordance with relevant regulation which endeavours to ensure that Directors and senior management of People's Choice are appropriate persons to lead the credit union. The "fit and proper" framework deals with matters such as minimum competencies, Director development, independence, Director refreshment and renewal and performance.

ROLE OF THE BOARD

The Board comprises a majority of Non-Executive Directors, who together with the Managing Director have extensive business acumen and bring accountability and judgement to the Board's deliberations to ensure optimum benefit to members, employees and the wider community. The role and responsibilities of the Board are set out in the Board Charter, a copy of which is published in the Corporate Governance section of our website.

In particular, the Board:

- Provides strategic direction to People's Choice;
- Provides leadership in terms of corporate governance;
- Appoints and manages the performance of the Managing Director;
- Reports to members and monitors compliance with regulatory requirements;
- Approves the remuneration of the Managing Director, Executive Managers and other designated persons in accordance with the Board Remuneration Policy and APRA's Prudential Standards;
- Oversees People's Choice's financial performance and position and monitors its business and affairs on behalf of all members;
- Oversees internal controls and processes for identifying areas of significant business risk;
- Makes decisions in relation to major expenditures, acquisitions or merger opportunities;
- Ensures that the People's Choice business is conducted ethically and transparently.

Responsibility for day-to-day activities in relation to the operation of People's Choice is delegated to the Managing Director by the Board.

The framework for delegations of authority to executive management is documented in People's Choice's policies and approved by the Board.

STRUCTURE OF THE BOARD

The size and composition of the Board is determined by the Board subject to the limits set out in People's Choice's Constitution, which requires a minimum of four member elected Non-Executive Directors. The Constitution also allows for Board and merger appointed Non-Executive Directors, or a Managing Director. At all times, member elected Directors must constitute a majority of Directors, a requirement which protects our mutuality.

The Corporate Governance Committee reviews the independence of each Non-Executive Director on an annual basis. All Non-Executive Directors have been determined to be independent.

Corporate Governance Statement (continued)

STRUCTURE OF THE BOARD (continued)

The Board currently comprises seven Non-Executive Directors, six of whom are member elected and one Board appointed Director (Mr Day) and one Managing Director (Mr Evers), ensuring independence and objectivity. All Directors are shareholding members of People's Choice. Board members are elected by the members or appointed in accordance with the Constitution. The Chair of the Board is a member elected Non-Executive Director. Generally all elected Directors are appointed for a term of three years upon election; however as part of the merger with Savings & Loans, transitional amendments to the Constitution were made to specify Directors who were deemed elected and the end date of their term.

The above framework operates to ensure that the Board is able to function independently of Executive Management.

Directors who held office during or since the end of the financial year and the year in which each was appointed to the Board (including the Board of the pre-merged entities) are set out below:

Directors – Non-executive	**Year First Elected/Appointed**
R.H.S. Brooks	1995
W.R. Cossey (Chair)	1999
J.L. Cossons (Deputy Chair)	1981
S.M. Day (Appointed)	2006
E.T. McGuirk	1996
J. McMahon	1989
K.A. Skipper	2002
Directors – Executive	**Year First Appointed**
P.H.T. Evers (Managing Director)	2003

Further details on the Directors can be found on page 9 of the Annual Report and on our website.

Minimum Competencies

Board policy sets out the minimum competencies regarding personal attributes, skills and knowledge that each Director will bring to People's Choice. The Nominations Committee in forming its view assesses all election nominees with regard to these minimum competencies. During the year the Board completed a review of the skills, experience and diversity of Directors to determine if there were any gaps that needed to be filled either through Director development, additional appointments or by bringing in the expertise as and when required. No material gaps were identified, however the Board is mindful of the changing and competitive environment in which People's Choice operates and continues to monitor its current competencies in line with increasing regulatory requirements and consumer expectation particularly around new and emerging digital technologies.

As a behavioural principle, Directors are required to be independent in both judgement and action. Each Director is required to maintain and demonstrate this independence of thought and action at all times while acting in the role of Director. Board policy also addresses issues relating to Director benefits and conflicts of interest. Directors generally are not permitted to offer, seek or accept benefits in the performance of their duties and any unsolicited benefits received are to be disclosed at the following Board meeting. Where a Director has a material personal interest in a matter, that Director is required to disclose the interest and leave the meeting during the consideration of, or voting on, that matter.

Director Development

Relevant Board policy outlines the knowledge requirements for Directors and provides the high level guidelines for new Director induction, new committee member induction as well as the standards for ongoing Director development. As part of the development program each Director is expected to attend at least one industry related conference annually.

Corporate Governance Statement (continued)

STRUCTURE OF THE BOARD (continued)

Refreshment and Renewal

Individual Directors are required on a regular basis to refresh and renew their knowledge generally and specific to People's Choice and the environment in which it operates. Board policy requires that each Director must be able to demonstrate his/her own refreshment and renewal process to the Board and relevant third parties as needed. Refreshment and renewal are also included as part of an individual Director's performance assessment and is also tested externally as part of the Nominations Committee process where Directors offer themselves for re-election. In accordance with Board policy the Corporate Governance Committee is required to undertake a review of the Board's refreshment and renewal where effective change in the composition of the Board has not occurred over a three year period.

Performance

The Board conducts an annual review of the performance of itself, its committees and individual Directors including the Chair. The performance reviews are undertaken via a survey of relevant questions completed by Directors and where appropriate Executive Managers. Whole of Board review findings are then discussed by Directors and development plans formulated at a subsequent meeting as are committee findings at the next committee meeting. Findings from individual Director surveys are discussed on a confidential basis between each Director and the Chair and findings from the Chair's review are discussed between the Chair and the Audit Committee Chair. To ensure objectivity, an independent Board and Director Assessment process has been commenced for completion in the first half of 2013/14 using an external facilitator. The outcome of this process will provide a benchmark against which the Board can assess its collective and individual progress and performance over time.

COMMITTEES OF THE BOARD

The Board has established three standing committees as described below to consider detailed matters. Generally committees consider the various matters and make recommendations to the Board; however some decisions, within the parameters of Board policy, have been delegated to committees. Each committee's authority and responsibilities are set out in their individual terms of reference, as approved by the Board. Other committees may be established from time to time to consider matters of particular importance. Committee members are chosen for the skills, experience and other relevant qualities they bring to the committee.

The committees generally meet to consider and make recommendations or decisions on matters within their terms of reference. Committee Chairs give verbal reports to the Board at the next Board meeting, and minutes of all committee meetings are reviewed by the Board. All information prepared for the consideration of committees is also available to the Board.

Standing committees in operation during or since the end of the financial year were:

Audit Committee – the Audit Committee meets at least quarterly and assists the Board in fulfilling its responsibilities relating to the audit, accounting, and reporting obligations, monitoring compliance with the established policies of People's Choice, monitoring Internal and External Auditors (including the independence of the Internal and External Auditors). This committee has a number of particular requirements which include that the Chair of the committee cannot be the Chair of the Board and that the committee can and did meet with the Internal and/or External Auditors without the presence of the Managing Director or Management.

Corporate Governance Committee – the Corporate Governance Committee meets at least three times a year and assists the Board in adopting and implementing good corporate governance in the areas of the Managing Director's appointment, Non-Executive Director appointment, remuneration, recommending to the Board management remuneration levels in accordance with the Board Remuneration Policy , Board performance reviews, oversight of the "fit and proper" framework, monitoring the size and composition of the Board and reviewing Executive and Director succession plans. The committee is also responsible for the oversight and conduct of the Director elections and the Annual General Meeting. A Nominations Committee is established in association with Director elections, and operates under the guidance of the Corporate Governance Committee. The Nominations Committee comprises the Chair of the Board (except when standing for re-election); and two external members with suitable skills and knowledge who are not Directors, staff or members of People's Choice. The Nominations Committee assists the Board manage the process for nomination of Directors, including conducting interviews with nominees and preparing statements to assist Members to make an informed voting decision.

Corporate Governance Statement (continued)

COMMITTEES OF THE BOARD (continued)

Risk Committee – the Risk Committee meets bi-monthly and ensures that People's Choice adopts an integrated approach to risk management including treasury risk management and capital management dealing with all risks of the portfolio including those to do with the balance sheet and interest rates, credit risk that arises in the credit portfolio, operational risk management including regulatory risk management as part of the day to day conduct of the business and alignment with prudential standards. The Risk Committee is also responsible for ensuring work health and safety risks are properly identified and effectively managed and that the work health safety performance of People's Choice is monitored and the relevant policies reviewed regularly.

STANDARDS

The Board acknowledges the need for, and continued maintenance of the highest standards of corporate governance and therefore adopts practices including:

- A Code of Conduct that applies to all staff, management and Directors;
- An annual review of Board performance;
- Active participation by all Directors at all meetings and open access to information;
- Regular executive management presentations;
- The Managing Director, General Manager Risk and General Manager Finance and Treasury provide an assurance statement on the accuracy and completeness of financial information and risk management processes, in accordance with relevant standards and regulatory legislation;
- The Executive Managers provide assurance to the Board that the business of People's Choice has been conducted ethically and all dealings have been conducted transparently with the Board;
- Annual performance evaluations are undertaken for all executive management;
- The transparency of information to members through publication of regulatory notices on the People's Choice website;
- The gearing of Board Policies towards risk management to safeguard the assets and interests of People's Choice whilst maintaining a balanced view of its operating environment;
- Non-Executive Director remuneration approved by members at the Annual General Meeting. The Board regularly undertakes benchmarking and/or seeks independent advice to determine recommended Non-Executive Director remuneration levels;
- Allowing Non-Executive Directors to seek independent professional advice at the expense of People's Choice.

REMUNERATION REPORT

In accordance with APRA standard APS330, the People's Choice remuneration report can be found under the Regulatory Disclosures section on our website.

DIVERSITY

The Board is committed to diversity and the promotion of an environment conducive to the appointment of well qualified employees, executive management and Directors. People's Choice has achieved gender diversity at all levels.

The gender breakdown at People's Choice is as follows:

	Male	**%**	**Female**	**%**	**Total**
Board Members	5	63	3	37	8
Executive Managers	4	57	3	43	7
Other Managers	77	47	87	53	164
Other Employees	245	25	733	75	978
Total Workforce	331	29	826	71	1157

Corporate Governance Statement (continued)

DIVERSITY (continued)

A diversity policy has been developed and is in place to assist People's Choice maintain a workplace which values and respects individual differences. This policy recognises the diversity of People's Choice's workforce and aims to establish and monitor measurable targets that support achieving diversity in the workplace. These targets will be reported to, and monitored by the Board on an annual basis.

INTERNAL AUDIT

The People's Choice Internal Audit department assists the Board via the Audit Committee in reviewing, reporting and making recommendations on the existence, effectiveness and efficiency of internal controls and compliance with internal controls and regulatory requirements. The Audit Committee is responsible for approving the program and scope of Internal and External Audit activities each financial year.

INTERNAL AND EXTERNAL AUDIT INDEPENDENCE

The Audit Committee oversees, and makes recommendations to the Board on, the appointment of People's Choice's External Auditors. In addition, the appointment or dismissal of the head of Internal Audit is subject to endorsement by the Audit Committee Chair.

The External Auditors were appointed in 1997. The current lead External Audit engagement partner was appointed at the conclusion of the 2012 AGM as a result of normal rotation procedures. The Audit Committee oversees the procedure for rotation of the lead External Audit engagement partner.

The Audit Committee closely monitors the independence of the External Auditors and regularly reviews the independence safeguards put in place by the External Auditors.

During the course of the financial year the Audit Committee meets with the Internal Auditor without the External Auditors or other members of management being present and with the External Auditors without the Internal Auditor or members of management being present.

REMUNERATION OF THE BOARD

The Corporate Governance Committee reviews and recommends the level of the Managing Director's remuneration for approval by the Board. The Corporate Governance Committee assists the Board in determining the aggregate level of remuneration of Non-Executive Directors to be recommended for approval by members at the Annual General Meeting following benchmarking and/or receipt of independent advice.

BOARD POLICIES

People's Choice maintains policies relating to its operational, compliance, legal and regulatory reporting requirements which are reviewed on a regular basis. These policies are supported by procedures to ensure compliance and effective monitoring of People's Choice's business. Further details can be found on the Corporate Governance Section of our website.

Corporate Governance Statement (continued)

MEETINGS OF THE BOARD AND BOARD COMMITTEES

The membership and details of attendances at meetings of the People's Choice Board and Committees are outlined below:

Director	Director Type	Board		Audit		Corporate Governance		Risk	
		A [(1)]	B	A	B	A	B	A	B
W. R. Cossey (Chair) [(2)]	M	14	13			7	7		
J.L. Cossons (Deputy Chair)	M	14	14			7	7	6	6
P.H.T. Evers (Managing Director)	E	14	14						
Dr R.H.S. Brooks [(2)]	M	14	14	4	3				
S.M. Day [(2)]	D	14	11					6	6
E.T. McGuirk [(2)) (3)]	M	14	11	4	4				
J McMahon [(2)]	M	14	12	4	4			6	5
K.A. Skipper [(2) (3) (4)]	M	14	9			7	5		

(1) *Eleven scheduled Board meetings and three special Board meetings were held during the year.*
(2) *All absences from Board and Committee meetings were approved leaves of absence.*
(3) *Directors McGuirk and Skipper did not participate in the three special Board meetings that were convened to discuss matters relating to the 2012 Director election as they were standing for re-election.*
(4) *Director Skipper did not participate in two Corporate Governance Committee meetings that were convened to discuss matters relating to the 2012 Director election as she was standing for re-election.*

A The number of meetings held during the period the Director was a member of the Board or Board Committee
B The number of meetings attended by the Director.

M Member elected Directors
E Executive Directors
D Board appointed Directors

Independent Auditor's Report

KPMG

Independent auditor's report to the members of Australian Central Credit Union Ltd

We have audited the accompanying financial report of Australian Central Credit Union ("the Credit Union"), which comprises the Statements of Financial Position as at 30 June 2013, and Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows for the year ended on that date, notes 1 to 42 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Credit Union and the Group comprising the Credit Union and the entities it controlled at the year's end or from time to time during the financial year.

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 and the Group's financial position and of their 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*.

Independent Auditor's Report

KPMG

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Credit Union's and the Group's financial position as at 30 June 2013 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

KPMG

KPMG

M Hinchliffe

Michelle Hinchliffe
Partner

Melbourne

2 September 2013

Directors' Declaration

In the opinion of the Directors of the Holding Entity:

a) the financial statements and notes of the Holding Entity and of the Consolidated Entity, set out on pages 22 to 80 are in accordance with the Corporations Act 2001, including:

  i. giving a true and fair view of the Holding Entity's and the Consolidated Entity's financial position as at 30 June 2013 and of their performance, for the financial year ended on that date;

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

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

c) there are reasonable grounds to believe that the Holding Entity will be able to pay its debts as and when they become due and payable.

Signed at Adelaide this 2nd day of September, 2013
in accordance with a resolution of the Board of Directors of the Holding Entity.

W. R. COSSEY AM **Chair**	**P.H.T. EVERS** **Managing Director**

Statements of Financial Position

AS AT 30 JUNE 2013

		Credit Union		Consolidated	
	Note	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Assets					
Cash and cash equivalents	10	**144,826**	138,900	**151,592**	148,162
Trade and other receivables	11	**15,318**	20,930	**15,288**	20,848
Loans and advances	12	**4,891,855**	4,812,466	**4,891,855**	4,812,466
Investments:					
Available-for-Sale investment securities	14	**650,756**	745,822	**664,036**	752,822
Other investments	14	**57,289**	46,131	**13,979**	13,333
Property, plant and equipment	15	**21,266**	31,758	**21,266**	31,758
Assets Held for Sale	16	**951**	-	**951**	-
Current tax receivable	17	**295**	1,736	**-**	1,346
Deferred tax assets	18	**15,458**	18,136	**13,686**	16,299
Intangible assets	19	**6,701**	10,882	**15,036**	19,217
Other financial assets	20	**6,188**	6,297	**4,468**	3,070
Other assets	21	**5,242**	4,473	**5,264**	4,497
Total Assets		**5,816,145**	5,837,531	**5,797,421**	5,823,818
Liabilities					
Deposits	22	**4,006,107**	3,979,118	**4,004,950**	3,978,476
Other financial liabilities	23	**5,361**	14,141	**9,710**	17,211
Trade and other payables	24	**88,642**	83,601	**83,774**	92,726
Borrowings	25	**1,262,027**	1,335,274	**1,241,523**	1,307,623
Current tax payable	26	**-**	-	**101**	-
Deferred tax liabilities	27	**3,451**	7,170	**1,630**	5,282
Employee benefits	28	**16,428**	14,693	**16,572**	14,862
Total Liabilities		**5,382,016**	5,433,997	**5,358,260**	5,416,180
Net Assets		**434,129**	403,534	**439,161**	407,638
Equity					
Redeemed preference share capital	29	**593**	537	**593**	537
General reserve for credit losses		**6,988**	8,193	**6,988**	8,193
Hedging reserve - cash flow hedges		**(2,292)**	(5,185)	**(2,292)**	(5,185)
Asset revaluation reserve		**147**	122	**153**	128
Fair value reserve - Available For Sale financial assets		**789**	1,114	**789**	1,114
Other equity reserves		**171,745**	171,745	**171,745**	171,745
Retained earnings		**256,159**	227,008	**261,185**	231,106
Total Equity attributable to members of the Holding Entity		**434,129**	403,534	**439,161**	407,638
Total Equity		**434,129**	403,534	**439,161**	407,638

The Statements of Financial Position are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Credit Union		Consolidated	
		2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Interest income	2	**349,113**	396,349	**347,926**	395,317
Interest expense	2	**(218,096)**	(267,083)	**(214,402)**	(263,965)
Net interest income		**131,017**	129,266	**133,524**	131,352
Net change in fair value of financial assets/liabilities at fair value through profit or loss	3	**1,971**	404	**1,971**	404
Non-interest income	4	**72,839**	67,182	**73,396**	68,319
Non-interest income		**74,810**	67,586	**75,367**	68,723
Impairment losses on loans and advances	5	**(2,297)**	(3,354)	**(2,297)**	(3,354)
Other expenses	6	**(169,004)**	(163,948)	**(170,740)**	(165,924)
Profit before tax		**34,526**	29,550	**35,854**	30,797
Income tax expense	8	**(6,629)**	(8,183)	**(7,029)**	(8,562)
Profit for the year		**27,897**	21,367	**28,825**	22,235
Other comprehensive income					
Cash flow hedges:					
Net change in fair value of cash flow hedges transferred to profit or loss		**2,195**	970	**2,195**	970
Effective portion of changes in fair value of cash flow		**1,938**	(4,754)	**1,938**	(4,754)
Changes in fair value of Available-for-Sale financial assets		**(465)**	663	**(465)**	663
Income tax (expense)/benefit on items of other comprehensive income		**(1,100)**	936	**(1,100)**	936
Other comprehensive income for the year, net of tax	8 d)	**2,568**	(2,185)	**2,568**	(2,185)
Total comprehensive income for the year		**30,465**	19,182	**31,393**	20,050
Profit attributable to:					
Members of the Holding Entity		**27,897**	21,367	**28,825**	22,235
Total comprehensive income attributable to:					
Members of the Holding Entity		**30,465**	19,182	**31,393**	20,050

The Statements of Profit or Loss and Other Comprehensive Income are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Redeemed preference share capital $'000	General reserve for credit losses $'000	Hedging reserve - cash flow hedges $'000	Asset revaluation reserve $'000	Fair value reserve - Available For Sale financial assets $'000	Other equity reserves $'000	Retained earnings $'000	Total $'000
Holding Entity 2013									
Opening balance at 1 July 2012		537	8,193	(5,185)	122	1,114	171,745	227,008	403,534
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	27,897	27,897
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	1,357	-	-	-	-	1,357
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	1,536	-	-	-	-	1,536
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(325)	-	-	(325)
Total other comprehensive income		-	-	2,893	-	(325)	-	-	2,568
Total comprehensive income for the period		-	-	2,893	-	(325)	-	27,897	30,465
Transactions recorded directly in equity									
Transfer to/(from) reserves		56	(1,205)	-	-	-	-	1,149	-
Transfer of revaluation on disposal of land and buildings		-	-	-	(105)	-	-	105	-
Revaluation of assets held for sale	15	-	-	-	130		-	-	130
Total transfer to reserves		56	(1,205)	-	25	-	-	1,254	130
Closing balance at 30 June 2013		593	6,988	(2,292)	147	789	171,745	256,159	434,129

The Statement of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Redeemed preference share capital $'000	General reserve for credit losses $'000	Hedging reserve - cash flow hedges $'000	Asset revaluation reserve $'000	Fair value reserve - Available For Sale financial assets $'000	Other equity reserves $'000	Retained earnings $'000	Total $'000
Consolidated Entity 2013									
Opening balance at 1 July 2012		537	8,193	(5,185)	128	1,114	171,745	231,106	407,638
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	28,825	28,825
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	1,357	-	-	-	-	1,357
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	1,536	-	-	-	-	1,536
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	(325)	-	-	(325)
Total other comprehensive income		-	-	2,893	-	(325)	-	-	2,568
Total comprehensive income for the period		-	-	2,893	-	(325)	-	28,825	31,393
Transactions recorded directly in equity									
Transfer to/(from) reserves		56	(1,205)	-	-	-	-	1,149	-
Transfer of revaluation on disposal of land and buildings		-	-	-	(105)	-	-	105	-
Revaluation of assets held for sale	15	-	-	-	130	-	-	-	130
Total transfer to reserves		56	(1,205)	-	25	-	-	1,254	130
Closing balance at 30 June 2013		593	6,988	(2,292)	153	789	171,745	261,185	439,161

The Statement of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Redeemed preference share capital	General reserve for credit losses	Hedging reserve - cash flow hedges	Asset revaluation reserve	Fair value reserve - Available For Sale financial assets	Other equity reserves	Retained earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Holding Entity 2012									
Opening balance at 1 July 2011		507	8,193	(2,536)	122	650	171,745	205,671	384,352
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	21,367	21,367
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(3,328)	-	-	-	-	(3,328)
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	679	-	-	-	-	679
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	464	-	-	464
Total other comprehensive income		-	-	(2,649)	-	464	-	-	(2,185)
Total comprehensive income for the period		-	-	(2,649)	-	464	-	21,367	19,182
Transactions recorded directly in equity									
Transfer to reserves		30	-	-	-	-	-	(30)	-
Closing balance at 30 June 2012		537	8,193	(5,185)	122	1,114	171,745	227,008	403,534
Consolidated Entity 2012									
Opening balance at 1 July 2011		507	8,193	(2,536)	128	650	171,745	208,901	387,588
Total comprehensive income for the period									
Profit or loss		-	-	-	-	-	-	22,235	22,235
Other comprehensive income									
Effective portion of changes in fair value of cash flow hedges, net of tax		-	-	(3,328)	-	-	-	-	(3,328)
Change in fair value of cash flow hedges transferred to profit or loss, net of tax		-	-	679	-	-	-	-	679
Net change in fair value of available-for-sale financial assets, net of tax		-	-	-	-	464	-	-	464
Total other comprehensive income		-	-	(2,649)	-	464	-	-	(2,185)
Total comprehensive income for the period		-	-	(2,649)	-	464	-	22,235	20,050
Transactions recorded directly in equity									
Transfer to reserves		30	-	-	-	-	-	(30)	-
Closing balance at 30 June 2012		537	8,193	(5,185)	128	1,114	171,745	231,106	407,638

The Statements of Changes in Equity are to be read in conjunction with the accompanying notes to the financial statements.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2013

	Note	Credit Union		Consolidated	
		2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
Cash from operating activities					
Interest received		**351,718**	397,242	**351,516**	396,926
Interest paid		**(225,566)**	(292,181)	**(223,310)**	(265,989)
Fee and commission received		**40,943**	40,663	**34,723**	35,781
Other income received		**19,834**	23,715	**26,586**	29,859
Net (increase)/decrease in loans and advances		**(78,995)**	132,056	**(78,995)**	132,056
Cash payments to employees and suppliers		**(144,414)**	(125,447)	**(159,968)**	(158,807)
Income taxes paid		**(7,469)**	(16,915)	**(7,860)**	(17,272)
Net cash from operating activities	39 b)	**(43,949)**	159,133	**(57,308)**	152,554
Cash from investing activities					
Net decrease/(increase) in Available-for-Sale investment securities		**(11,538)**	(66,277)	**(11,538)**	(66,277)
Proceeds from sale of non-tradeable investments		**2,992**	3,049	**153**	-
Acquisition of property plant and equipment		**(10,578)**	(7,882)	**(10,578)**	(7,882)
Acquisition of non-tradeable investments		**(14,150)**	(251)	**(800)**	(251)
Proceeds from sale of property, plant and equipment		**20,858**	(436)	**20,858**	(436)
Dividends and distributions received		**2,271**	2,939	**2,271**	2,939
Net cash used in investing activities		**(10,145)**	(68,858)	**366**	(71,907)
Cash from financing activities					
Net increase in deposits and withdrawable share capital		**26,989**	(24,124)	**26,474**	(24,339)
New borrowings		**181,975**	248,289	**181,975**	248,289
Proceeds from residential backed securities issue		**-**	-	**450,000**	-
Repayment of borrowings		**(255,222)**	(478,327)	**(515,406)**	(310,903)
Payment to Noteholders		**-**	-	**(182,669)**	(164,375)
Net cash from financing activities		**(46,258)**	(254,162)	**(39,626)**	(251,328)
Net (decrease)/increase in cash and cash equivalents		**(100,352)**	(163,887)	**(96,568)**	(170,681)
Cash and cash equivalents at 1 July		**705,981**	869,868	**722,243**	892,924
Cash and cash equivalents at 30 June	39 a)	**605,629**	705,981	**625,675**	722,243

The Statements of Cash Flows are to be read in conjunction with the accompanying notes to the financial statements.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

a) Reporting Entity

Australian Central Credit Union Ltd (the "Holding Entity"), (trading as People's Choice Credit Union) is a Company domiciled in Australia. The consolidated financial report of the Holding Entity for the financial year ended 30 June 2013 comprises the Holding Entity and its controlled entities (together referred to as the "Consolidated Entity"). The Consolidated Entity is a for-profit entity and primarily involved in the provision of loans to members and customers (including "Choice of Home Loans" via a panel of lenders), savings and investment facilities, the sale of insurance policies, Mutual Aid, financial planning and corporate superannuation services.

b) Basis of preparation

Statement of compliance

The consolidated financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial reports of the Group and of the Holding Entity comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

The consolidated financial report was authorised for issue by the Directors on 2 September 2013.

Basis of measurement

The consolidated financial report has been prepared on the historical cost basis except for the following material assets and liabilities in the Statement of Financial Position:

- Derivative financial instruments are measured at fair value;
- Available-for-Sale financial assets are measured at fair value;
- Land and buildings are measured at fair value;
- Assets held for sale are measured at fair value; and
- Loans are measured at amortised cost.

The financial report has been prepared on a going concern basis.

Functional and presentation currency

The financial report is presented in Australian dollars, which is the Holding Entity's functional currency.

The Holding Entity is a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with the Class Order, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Use of estimates and judgements

The preparation of a financial report in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable when making the judgement about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of preparation (continued)

Use of estimates and judgements (continued)

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 13 - provision for impairment of loans and advances
- Note 19 a) - measurement of the recoverable amounts of cash-generating units
- Note 41 i) - valuation of financial instruments

Issued standards early adopted

The Consolidated Entity has not early adopted any issued standards in the financial year.

The accounting policies set out below have been consistently applied by each entity in the Consolidated Entity.

c) Basis of consolidation

(i) Controlled entities

Controlled entities are entities controlled by the Holding Entity. Control exists when the Holding Entity has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The controlled entities are fully consolidated from the date on which control is transferred to the Holding Entity and they are de-consolidated from the date that control ceases.

In the financial report, investments in controlled entities are carried at cost.

(ii) Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial report. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iii) Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for the purpose of the issuance of Residential Mortgage Backed Securities ("RMBS"). The SPEs have been consolidated as the Group is exposed to the majority of the residual risks and rewards of the SPEs. For the accounting policy on securitisation refer to Note 1 u).

d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Consolidated Entity's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

e) Trade and other receivables

Trade and other receivables comprising of non-interest bearing sundry debtors are stated at their cost less impairment losses (see Note 1 g)).

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Loans and advances

Loans and advances comprise term and revolving credit facilities provided to members and members' overdrawn savings accounts. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method, less impairment losses. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the carrying amount of the loan or advance. When estimating the future cash flows, the Holding Entity considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract.

Loans and advances are reviewed and graded according to the assessed level of credit risk. Classifications adopted are as follows:

- **Past-due loans** - are loans and advances where the borrower has failed to make a repayment when contractually due.
- **Restructured loans** - arise when the borrower is granted concessional terms or conditions due to difficulties in meeting the original contractual terms, and the revised terms are more favourable than comparable new facilities.
- **Impaired loans** - are loans and advances where the full recovery of outstanding principal and interest is considered doubtful.
- **Assets acquired through the enforcement of security** - are assets (usually residential property or motor vehicles) acquired in full or partial settlement of an advance through the enforcement of security arrangements. The recoverable value of such assets forms part of the net value of loans and advances as part of the estimated future cash flows.

Provision for impairment

All loans are subject to a continuous management review process to assess whether there is any objective evidence that any loan or group of loans is impaired.

Impairment of loans and advances is recognised when objective evidence is available that a loss event has occurred.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred).

Impairment losses are recognised in profit or loss.

- **Specific Provision**

Loans and advances, that meet significant delinquency and loan size criteria, are individually assessed for impairment to estimate the likely loss on the loan.

- **Collective Provision**

Loans and advances that do not meet significant delinquency criteria are not individually assessed but are placed into portfolios of assets with similar risk profiles and a collective assessment of impairment is performed based on objective evidence from historical experience.

The quantitative effect is disclosed in Note 13.

- **General Reserve for Credit Losses**

The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by a General Reserve for Credit Losses within Equity. Transfers to and from the General Reserve for Credit Losses are made from retained earnings.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment

The carrying amount of the Consolidated Entity's assets, other than deferred tax assets (see Note 1 q)) and loans and advances (see Note 1 f)), are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated (see Note 1 f)) for signs of objective evidence indicating that impairment may have occurred. Where objective evidence of impairment exists the asset's recoverable amount is determined.

For goodwill and other intangible assets that have an indefinite life, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset (either in its own right or as part of a cash generating unit) exceeds its recoverable amount. Impairment losses are recognised in profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an Available-for-Sale financial asset has been recognised in other comprehensive income, and presented in the fair value reserve in Equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is transferred to profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

For the accounting policy on impairment of loans and advances, refer to Note 1 f).

The recoverable amount is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short term duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to the 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. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(i) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in the recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as Available-for-Sale is not reversed through profit or loss. If the fair value of a debt instrument classified as Available-for-Sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the reversal recognised in profit or loss.

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount.

An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Impairment (continued)

(ii) Derecognition of financial assets and liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

a) the right to receive cash flows from the asset has expired,

b) the Consolidated Entity retains the right to receive cash flows from the asset, but has assumed an obligation to pay them without material delay to a third party; or

c) the Consolidated Entity has transferred its rights to receive cash flows from the asset and either:

(i) has transferred substantially all the risks and rewards of the asset, or

(ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

h) Financial instruments - Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at cost. Investments in controlled entities are carried at cost.

(i) Available-for-Sale investment securities

Financial instruments held by the Consolidated Entity classified as being Available-for-Sale are non-derivative financial assets and are stated at fair value, with any resultant gain or loss recognised in other comprehensive income and presented within Equity in the fair value reserve, except for impairment losses. Where the financial instruments are derecognised, the cumulative gain and loss previously recognised in other comprehensive income, and presented in the fair value reserve in Equity, is transferred to profit or loss. Where these investments are interest-bearing, interest calculated using the Effective Interest Rate method is recognised in profit or loss.

The fair value of financial instruments classified as Available-for-Sale is estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Financial instruments classified as Available-for-Sale investment securities are recognised/derecognised by the Consolidated Entity on the date it commits to purchase/sell the investments.

(ii) Liabilities

The Holding Entity initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Holding Entity becomes a party to the contractual provisions of the instrument. The Holding Entity derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the Effective Interest Rate method.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial instruments - Non-derivative financial instruments (continued)

(iii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

i) Acquisition of assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being their fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Consolidated Entity if a similar borrowing were obtained from an independent financier under comparable terms and conditions. The unwinding of the discount is treated as interest expense.

The costs of assets constructed or internally generated by the Consolidated Entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised to the asset.

Expenditure, including that on internally generated assets other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred that are probable and can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

j) Property, plant and equipment

Owned assets

Land and Buildings

Land and buildings are held at their fair value. Independent valuations of land and buildings are performed on a regular basis to ensure the carrying amount of each asset is stated at its fair value at reporting date.

If the revaluation results in a net revaluation increment, the net increment is credited directly to an asset revaluation reserve, except that, to the extent that the increment reverses a decrement previously recognised as an expense in the statement of comprehensive income, in which case it is recognised as revenue in the statement of comprehensive income. A net revaluation decrement is recognised as an expense in the statement of comprehensive income, except that, to the extent that a credit balance exists in the asset revaluation reserve, the decrement is debited directly to the reserve.

Property, plant and equipment

Plant and equipment of the Consolidated Entity are brought to account at cost, less any accumulated depreciation and impairment losses.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Property, plant and equipment (continued)

Depreciation

With the exception of freehold land, items of property, plant and equipment are depreciated on a straight line basis so as to write off the net cost of each non-current asset over their expected useful lives. The depreciation rates used for each class of asset in the current and comparative periods are as follows:

Property, plant and equipment	**2013**	2012
Leasehold improvements	**10% to 67%**	10% to 67%
Information technology	**7.5% to 40%**	7.5% to 40%
Office equipment	**7.5% to 25%**	7.5% to 25%
Fixtures and fittings	**7.5% to 25%**	7.5% to 25%
Motor vehicles	**20%**	20%

Land and buildings are not depreciated.

The expected useful life and the depreciation method applied to an asset are reassessed at least annually.

Leased assets

Leases of plant and equipment under which the Consolidated Entity assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases and not recognised in the Consolidated Entity's Statement of Financial Position. The Consolidated Entity is not currently engaged in any finance leases.

Payments made under operating leases are expensed over the term of the lease.

k) Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through the sale or distribution rather than their continuing use in the next twelve months.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell, unless the nature of the asset requires it to be measured in line with another accounting standard.

Once classified as held for sale, assets held for sale are no longer amortised or depreciated.

l) Intangible assets

(i) Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (refer Note 19a).

Negative goodwill arising on acquisition is recognised directly in profit or loss.

(ii) Acquired Contractual Rights

The amount relating to acquired contractual rights to future cash flows is measured at cost less accumulated amortisation and accumulated impairment losses. Acquired Contractual Rights are amortised to profit or loss over the expected useful life of the asset. The amortisation rates for intangible assets for the current and comparative periods are outlined in the table at l (v).

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Intangible assets (continued)

(iii) Software

Software assets that are not integral to the operation of hardware are recognised as intangible assets with a finite life. Where the expenditure is of a significant amount and there are related benefits which are expected to be realised over the medium to long term, it is deferred and amortised on a straight line basis over the period in which the benefits are expected to be realised. The amortisation rates for the current and comparative periods are outlined in the table at l (v).

(iv) Core deposit intangible

A core deposit intangible was recognised following the merger with Savings & Loans Credit Union (S.A.) Limited and represents the value of having a deposit base from customer and business transaction accounts, savings accounts and term deposits, providing a more favourable source of funding than alternative sources of funding such as in wholesale and securitisation markets. The core deposit intangible is amortised over a period of nine years and is stated at cost less accumulated amortisation and accumulated impairment losses. The amortisation period is based on the underlying expected life of the deposit portfolio. The core deposit intangible is assessed for any indication of impairment at each reporting date.

(v) Amortisation

Items of intangible assets are amortised so as to write off the net cost of each non-current asset over their expected useful lives. The amortisation rates used for each class of intangible asset in the current and comparative periods are as follows:

Intangibles	**2013**	2012
Acquired contractual rights	**20%**	20%
Software	**14% - 54.5%**	14% - 54.5%
Core deposit intangibles	**11%**	11%

Amortisation methods, useful lives and residual values are reviewed at least annually and adjusted where appropriate.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Employee entitlements

Wages, salaries and annual leave

The provision for employee benefits for wages, salaries and annual leave represents the amount which the Consolidated Entity has a present obligation to pay resulting from employees' services up to balance date. The provision has been calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on costs, such as workers compensation insurance and payroll tax.

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date. The provision is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates based on turnover history and is discounted to determine its present value.

Rostered days off

The provision for rostered days off represents the amount, measured at current rates that the Consolidated Entity expects to pay as at reporting date. Rostered days off, are a form of flexible working arrangements for non-packaged staff that provides many of the advantages of traditional flexi-time and rostered days off with the added advantage of being able to be tailored to both the individuals' and organisational requirements. Staff are able to draw down on their entitlements during the year to meet their personal needs whilst ensuring operational requirements are satisfied or in certain circumstances convert provisions to normal remuneration payments during the year.

Sick leave

Sick leave entitlements of employees of the Consolidated Entity are non-vesting. No provision has been raised for unused entitlements to non-vesting sick leave as it is not probable that sick leave to be taken in the future will exceed entitlements to be accrued in the future.

Defined contribution plans

All employees, upon satisfying eligibility tests, may participate in an accumulation superannuation scheme. The Holding Entity's contributions to defined contribution plans are recognised as an expense in profit or loss as incurred. The Holding Entity has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees on retirement.

n) Interest-bearing borrowings

Interest-bearing borrowings (inclusive of member deposits) are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest rate basis.

o) Trade and other payables

Trade and other payables are stated at their amortised cost. Trade payables are non-interest bearing and are normally settled on thirty day terms.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Revenue recognition

(i) Loan interest

Interest on loans and advances is recognised on an amortised cost basis using the Effective Interest Rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the loan or advance to the net carrying amount of the loan or advance. When estimating the future cash flows the Holding Entity considers all contractual terms of the loan or advance excluding any future credit losses. Included in this calculation are all fees paid or received that are integral to the contract (refer Note 1 f)). All interest is recognised on an accruals basis.

(ii) Revenue from services rendered

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the costs incurred or to be incurred cannot be measured reliably.

(iii) Dividends

Dividends from other investments are recognised when the right to receive the dividend has been established.

(iv) Commissions

Revenue is recognised on an accrual basis upon the provision of services from acting in the capacity of an agent rather than as the principal in a transaction.

(v) Other non-interest income

Mutual Aid income is recognised over the average life of the associated loans.

q) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for the financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

q) Income tax (continued)

Tax consolidation

The Holding Entity and its Australian wholly-owned controlled entities formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the consolidated group is Australian Central Credit Union Ltd, trading as People's Choice Credit Union.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the separate taxpayer within group approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

r) Deferred borrowing costs

Deferred borrowing costs include costs associated with the establishment of a number of separate securitisation facilities. These costs are amortised over the expected life of the facilities.

s) Financial instruments - derivative financial instruments

The Consolidated Entity uses interest rate swaps to hedge its exposure to interest rate risks arising from operational and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However derivatives that do not qualify for hedge accounting are accounted for at fair value through profit and loss.

Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged (refer Note 1 s)(i)).

The fair value of interest rate swaps is the present value of the future cash flows that the Consolidated Entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Where a financial asset does not qualify for derecognition the associated basis swaps are recognised on an accrual basis in accordance with AASB139 Financial Instruments Recognition and Measurement.

Further details of derivative financial instruments are disclosed in Note 41.

(i) Hedging

On entering into a hedging relationship, the Consolidated Entity formally designates and documents the hedge relationship and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period as designated.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

s) Financial instruments - derivative financial instruments (continued)

Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability the associated cumulative gain or loss is removed from other comprehensive income and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, then the associated gains and losses that were recognised directly in other comprehensive income are reclassified into profit in the same period or periods during which the asset acquired or liability assumed affects the Statement of Comprehensive Income (i.e. when the interest income is recognised).

Effectiveness tests are performed on derivative financial instruments to determine if they are still providing the protection originally intended when entered into by the Consolidated Entity. Where a derivative financial instrument that was previously considered to be effective no longer satisfies the effectiveness test criteria any gain or loss on the instrument previously recognised in other comprehensive income is reversed through profit or loss with all subsequent gains or losses recognised through profit or loss.

When a derivative financial instrument is not designated in a qualifying hedge relationship, all changes to its fair value are recognised directly in profit or loss.

t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation 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. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

u) Securitisation

The Holding Entity through its loan securitisation program securitises mortgage loans to SPEs, which in turn issue rated securities to investors. Fees are received for various services provided to the SPEs on an arms-length basis, including servicing fees and management fees and are reported in profit or loss. The Holding Entity also provides arms-length interest rate swaps and loan facilities to the SPEs.

Costs incurred in the establishment of a securitisation issue are amortised over the expected life of the issue.

Details of the transfer of financial assets to third parties and/or special purpose entities during the year are disclosed in Note 35.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

v) New Standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Consolidated Entity in the period of initial application. They are available for early adoption at 30 June 2013, but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments (2010), AASB 9 Financial Instruments (2009)

  AASB 9 (2009) includes requirements for the classification and measurement of financial assets. Under AASB 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

  AASB 9 (2010) introduces additional disclosures relating to financial liabilities. The IASB currently has an active project that may result in limited amendments to the classification and measurement requirements of AASB 9 and add new requirements to address the impairment of financial assets and hedge accounting. AASB 9 (2009 and 2010) are effective for annual reporting periods beginning on or after 1 January 2015 with early adoption permitted. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2013 or earlier. The Holding Entity will continue to monitor the potential effect of the standard.

- AASB 10 Consolidated Financial Statements and Control

  AASB 10 (2013) contains a revised definition of 'control' that will apply to all entities and for some entities will expand the number and types of entities that are consolidated and is effective for annual periods beginning on or after 1 January 2013. A review has been undertaken in relation to the application of the new standard; with no changes being required to existing accounting treatments.

w) Comparatives

Where appropriate, amounts shown for prior periods have been reclassified to facilitate comparison.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
2. INTEREST REVENUE AND INTEREST EXPENSE				
Interest income				
Cash and cash equivalents	**4,194**	2,680	**4,530**	3,115
Loans and advances	**315,105**	353,522	**315,123**	353,546
Investments				
Available-for-Sale investment securities	**27,849**	38,169	**28,235**	38,633
Other investments	**1,965**	1,978	**38**	23
Total interest income	**349,113**	396,349	**347,926**	395,317
Interest expense				
Deposits	**147,293**	177,456	**147,288**	177,449
Borrowings	**70,699**	84,608	**58,840**	76,769
Interest rate hedges	**104**	5,019	**8,274**	9,747
Total interest expense	**218,096**	267,083	**214,402**	263,965
Net interest income	**131,017**	129,266	**133,524**	131,352
3. NET CHANGE IN FAIR VALUES OF FINANCIAL ASSETS/ LIABILITIES				
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**1,971**	404	**1,971**	404
	1,971	404	**1,971**	404
4. NON - INTEREST INCOME				
Fee and commission income				
Loan fee income	**2,926**	2,463	**2,926**	2,463
Transactional fee income	**9,481**	11,481	**9,481**	11,481
Insurance fees and commissions	**12,810**	12,506	**12,810**	12,506
Financial planning fees and commissions	**8,085**	7,375	**10,887**	10,267
Other commissions	**5,260**	6,232	**5,260**	6,232
Other fees	**13,882**	15,402	**11,637**	13,647
Total fee and commission income	**52,444**	55,459	**53,001**	56,596
Other income				
Bad debts recovered	**883**	622	**883**	622
Dividends received	**2,271**	2,939	**2,271**	2,939
Profit on sale of property, plant and equipment	**8,191**	135	**8,191**	135
Property rental income	**53**	126	**53**	126
Mutual Aid Income	**8,997**	7,901	**8,997**	7,901
Total other income	**20,395**	11,723	**20,395**	11,723
Total non-interest income	**72,839**	67,182	**73,396**	68,319

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
5. IMPAIRMENT LOSSES ON LOANS AND ADVANCES				
Bad debts written off to profit or loss (note 13)	**3,345**	3,710	**3,345**	3,710
Decrease in provision for impairment (note 13)	**(1,048)**	(356)	**(1,048)**	(356)
Total impairment losses on loans and advances	**2,297**	3,354	**2,297**	3,354
6. OTHER EXPENSES				
Staff costs (Note 7)	**85,516**	79,461	**86,533**	80,660
Administrative expenses	**17,787**	19,304	**18,392**	19,831
Depreciation:				
Property, plant and equipment	**6,677**	7,825	**6,677**	7,827
Amortisation:				
Computer software	**164**	182	**164**	182
Intangible assets				
- computer software	**2,324**	2,308	**2,324**	2,308
- acquired contractual rights	**961**	2,315	**961**	2,315
- core deposit intangible	**1,167**	1,630	**1,167**	1,630
Marketing costs	**9,642**	9,326	**9,472**	9,266
Operating lease:				
Rentals	**11,219**	12,333	**11,400**	12,508
Other occupancy expenses	**6,963**	4,654	**7,064**	4,738
Distribution channel costs	**14,866**	15,373	**14,866**	15,373
Information technology costs	**11,248**	9,203	**11,250**	9,252
Loss on disposal of property, plant and equipment	**471**	34	**471**	34
Total other expenses	**169,005**	163,948	**170,741**	165,924
7. STAFF COSTS				
Wages and salaries	**72,241**	67,485	**73,151**	68,429
Employee on costs	**4,108**	3,620	**4,155**	3,701
Superannuation contributions	**6,208**	5,673	**6,277**	5,777
Increase in liability for annual leave	**780**	917	**777**	954
Increase in liability for long service leave	**2,112**	1,884	**2,106**	1,916
Increase/(decrease) in liability for rostered days off	**67**	(119)	**67**	(118)
Total staff costs	**85,516**	79,461	**86,533**	80,660

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
8. INCOME TAX EXPENSE				
a) Income tax expense				
Current tax	**8,590**	9,086	**8,986**	9,475
Deferred tax	**(2,142)**	(1,219)	**(2,140)**	(1,230)
Under provided in prior years	**181**	316	**183**	317
	6,629	8,183	**7,029**	8,562
Deferred income tax/(revenue) expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 18)	**1,474**	(596)	**1,409**	324
Decrease in deferred tax liabilities (Note 27)	**(3,616)**	(623)	**(3,549)**	(1,554)
	(2,142)	(1,219)	**(2,140)**	(1,230)
b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before tax	**34,526**	29,550	**35,854**	30,797
Tax at the tax rate of 30% (2012: 30%)	**10,358**	8,865	**10,756**	9,239
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Fully franked dividends received	**(973)**	(882)	**(973)**	(882)
Research and development tax concession	**(920)**	-	**(920)**	-
Writeback of deferred tax liability on sale of land and builc	**(2,163)**	-	**(2,163)**	-
Sundry items	**146**	(116)	**146**	(112)
	6,448	7,867	**6,846**	8,245
Under provision in prior years	**181**	316	**183**	317
Income tax expense	**6,629**	8,183	**7,029**	8,562
c) Amounts recognised directly in Equity				
Aggregate deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited				
Net deferred tax debited/(credited) directly to Equity (Notes 18 and 27)	**1,101**	937	**1,101**	937
	1,101	937	**1,101**	937
d) Income tax recognised in other comprehensive income				
Before Tax				
Cash flow hedges	**4,133**	(3,784)	**4,133**	(3,784)
Available-for-Sale investment securities	**(465)**	663	**(465)**	663
	3,668	(3,121)	**3,668**	(3,121)
Tax (expense)/benefit				
Cash flow hedges	**(1,240)**	1,135	**(1,240)**	1,135
Available-for-Sale investment securities	**140**	(199)	**140**	(199)
	(1,100)	936	**(1,100)**	936
Net of tax				
Cash flow hedges	**2,893**	(2,649)	**2,893**	(2,649)
Available-for-Sale investment securities	**(325)**	464	**(325)**	464
	2,568	(2,185)	**2,568**	(2,185)

Notes to the Financial Statements

9. FRANKING ACCOUNT

The Consolidated Entity has generated franking credits through paying income tax with a total of $99,141,188 (@ 30%) (2012: $91,254,536 (@ 30%)) worth of franking credits having been accumulated. This includes credits which will arise from the payment of income tax provided for in the financial statements.

The ability to use these franking credits is restricted by the Constitution of the Holding Entity which does not currently permit dividend payments. The balance of the franking account is adjusted for franking credits that the Holding Entity is currently prevented from distributing in the subsequent financial year.

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000

10. CASH AND CASH EQUIVALENTS

	Credit Union 2013 $'000	Credit Union 2012 $'000	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash on hand and at bank	**9,304**	11,395	**16,070**	20,657
Deposits at call	**124,700**	103,650	**124,700**	103,650
Deposits with Cuscal Ltd	**10,822**	23,855	**10,822**	23,855
	144,826	138,900	**151,592**	148,162

11. TRADE AND OTHER RECEIVABLES

	Credit Union 2013 $'000	Credit Union 2012 $'000	Consolidated 2013 $'000	Consolidated 2012 $'000
Other receivables	**13,965**	14,519	**14,039**	14,567
Interest receivable	**1,235**	6,268	**1,249**	6,281
Amounts receivable from controlled entities (Note 40)	**118**	143	**-**	-
	15,318	20,930	**15,288**	20,848
Maturity analysis				
Not longer than 3 months	**10,549**	16,478	**10,637**	16,539
Longer than 3 and not longer than 12 months	**4,469**	4,192	**4,469**	4,192
No maturity specified	**300**	260	**182**	117
	15,318	20,930	**15,288**	20,848

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
12. LOANS AND ADVANCES				
Revolving credit facilities	**451,963**	496,136	**451,963**	496,136
Term loans	**4,446,670**	4,324,411	**4,446,670**	4,324,411
Gross Loans and advances	**4,898,633**	4,820,547	**4,898,633**	4,820,547
Provision for impairment (Note 13)	**(3,273)**	(4,321)	**(3,273)**	(4,321)
Loan origination and processing costs	**1,624**	1,096	**1,624**	1,096
Unearned loan fees	**(5,129)**	(4,856)	**(5,129)**	(4,856)
Net loans and advances	**4,891,855**	4,812,466	**4,891,855**	4,812,466
a) Maturity analysis:				
Scheduled for repayment:				
Overdrafts and line of credit facilities	**451,963**	496,136	**451,963**	496,136
Not longer than 3 months	**4,839**	5,097	**4,839**	5,097
Longer than 3 and not longer than 12 months	**11,777**	6,156	**11,777**	6,156
Longer than 1 and not longer than 5 years	**353,595**	349,351	**353,595**	349,351
Longer than 5 years	**4,076,459**	3,963,807	**4,076,459**	3,963,807
	4,898,633	4,820,547	**4,898,633**	4,820,547
b) Loans by security				
Secured by mortgage	**4,276,046**	4,233,776	**4,276,046**	4,233,776
Secured other	**494,174**	462,483	**494,174**	462,483
Unsecured	**128,413**	124,288	**128,413**	124,288
	4,898,633	4,820,547	**4,898,633**	4,820,547
c) Loans by purpose				
Residential loans	**3,522,512**	3,522,874	**3,522,512**	3,522,874
Consumer loans	**560,723**	542,859	**560,723**	542,859
Residential investment loans	**762,852**	714,375	**762,852**	714,375
Commercial	**52,546**	40,439	**52,546**	40,439
	4,898,633	4,820,547	**4,898,633**	4,820,547
d) Aggregate amounts receivable from related parties				
Key management personnel	**5,032**	4,452	**5,032**	4,452
	5,032	4,452	**5,032**	4,452

Details of loans to Directors and key management personnel are set out in Note 40 d).

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
13. IMPAIRMENT OF LOANS AND ADVANCES				
a) Provision for impairment				
Total provisions:				
Balance at beginning of year	**4,321**	4,677	**4,321**	4,677
Decrease in provision for loan impairment	**(1,048)**	(356)	**(1,048)**	(356)
Balance at end of year	**3,273**	4,321	**3,273**	4,321
Specific provision for impairment:				
Balance at beginning of year	**2,480**	2,479	**2,480**	2,479
(Decrease)/Increase in provision	**(225)**	1	**(225)**	1
Balance at end of year	**2,255**	2,480	**2,255**	2,480
Collective provision for impairment:				
Balance at beginning of year	**1,841**	2,198	**1,841**	2,198
Decrease in provision	**(823)**	(357)	**(823)**	(357)
Balance at end of year	**1,018**	1,841	**1,018**	1,841
Charge to profit or loss comprises:				
Provision for loan impairment (Note 5)	**(1,048)**	(356)	**(1,048)**	(356)
Loans written off during the year as uncollectible (Note 5)	**3,345**	3,710	**3,345**	3,710
Total charge to profit or loss	**2,297**	3,354	**2,297**	3,354
b) Impaired loans				
Gross impaired loans	**2,322**	2,480	**2,322**	2,480
Specific provision for impairment	**(2,255)**	(2,480)	**(2,255)**	(2,480)
Net impaired loans	**67**	-	**67**	-
c) Restructured loans	**7,717**	7,653	**7,717**	7,653
d) Assets acquired through the enforcement of security				
Real estate assets acquired through enforcement of security:				
Value of real estate assets acquired	**2,061**	717	**2,061**	717
Other assets acquired through enforcement of security:				
Value of other assets acquired	**198**	221	**198**	221
Total assets acquired through the enforcement of security	**2,259**	938	**2,259**	938

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
14. INVESTMENTS				
a) Available-for-Sale investment securities				
(i) At the beginning of year	**745,822**	831,899	**752,822**	842,149
Additions/(disposals) (sale and redemption)	**(94,601)**	(86,741)	**(88,321)**	(89,991)
Fair value adjustments	**(465)**	664	**(465)**	664
At end of year	**650,756**	745,822	**664,036**	752,822
(ii) Classification:				
Interest-bearing deposits	**120,140**	347,822	**133,420**	354,822
Negotiable certificates of deposit	**450,812**	398,000	**450,812**	398,000
Floating Rate Notes	**76,736**	-	**76,736**	-
Bonds	**3,068**	-	**3,068**	-
	650,756	745,822	**664,036**	752,822
b) Other investments				
Shares in unlisted entities (at cost)	**12,279**	12,279	**12,279**	12,279
Capital notes	**38,162**	27,650	**-**	-
Other investments	**1,700**	1,054	**1,700**	1,054
Shares in controlled entities (Note 37)	**5,148**	5,148	**-**	-
	57,289	46,131	**13,979**	13,333
Total Investments	**708,045**	791,953	**678,015**	766,155
Maturity of investments:				
No fixed maturity	**17,427**	17,427	**12,279**	12,279
Not longer than 3 months	**460,803**	566,162	**474,083**	573,162
Longer than 3 and not longer than 12 months	**129,260**	147,955	**129,260**	147,955
Longer than 12 months	**100,555**	60,409	**62,393**	32,759
	708,045	791,953	**678,015**	766,155

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
15. PROPERTY, PLANT AND EQUIPMENT				
Land and buildings - at fair value	**-**	13,325	**-**	13,325
	-	13,325	**-**	13,325
Leasehold and freehold improvements - at cost	**34,919**	27,543	**34,927**	27,551
Accumulated depreciation	**(23,921)**	(17,835)	**(23,929)**	(17,843)
	10,998	9,708	**10,998**	9,708
Information technology - at cost	**33,650**	26,773	**33,812**	27,013
Accumulated depreciation	**(26,891)**	(21,853)	**(27,053)**	(22,093)
	6,759	4,920	**6,759**	4,920
Plant and equipment - at cost	**12,443**	11,424	**13,184**	12,165
Accumulated depreciation	**(9,358)**	(7,945)	**(10,099)**	(8,686)
	3,085	3,479	**3,085**	3,479
Computer software - at cost	**2,266**	2,004	**2,441**	2,180
Accumulated depreciation	**(1,842)**	(1,678)	**(2,017)**	(1,854)
	424	326	**424**	326
Total property, plant and equipment - at cost or fair value	**83,278**	81,069	**84,364**	82,234
Total accumulated depreciation	**(62,012)**	(49,311)	**(63,098)**	(50,476)
	21,266	31,758	**21,266**	31,758

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
15. PROPERTY, PLANT AND EQUIPMENT (Continued)				
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
Land and buildings				
Carrying amount at beginning of year	**13,325**	13,325	**13,325**	13,325
Disposals	**(12,650)**	-	**(12,650)**	-
Fair value adjustment	**130**	-	**130**	-
Reclassification to Assets Held for Sale (Note 16)	**(805)**	-	**(805)**	-
Carrying amount at end of year	**-**	13,325	**-**	13,325
Leasehold and freehold improvements				
Carrying amount at beginning of year	**9,708**	9,103	**9,708**	9,104
Additions	**5,117**	3,907	**5,117**	3,907
Net work in progress	**(175)**	380	**(175)**	380
Disposals	**(219)**	(30)	**(219)**	(30)
Reclassification to assets held for sale (Note 16)	**(134)**	-	**(134)**	-
Depreciation	**(3,299)**	(3,652)	**(3,299)**	(3,653)
Carrying amount at end of year	**10,998**	9,708	**10,998**	9,708
Information technology				
Carrying amount at beginning of year	**4,920**	5,769	**4,920**	5,769
Additions	**4,526**	1,737	**4,526**	1,737
Net work in progress	**(343)**	405	**(343)**	405
Disposals	**(37)**	-	**(37)**	-
Depreciation	**(2,307)**	(2,991)	**(2,307)**	(2,991)
Carrying amount at end of year	**6,759**	4,920	**6,759**	4,920
Plant and equipment				
Carrying amount at beginning of year	**3,479**	3,542	**3,479**	3,543
Additions	**1,093**	1,128	**1,093**	1,128
Net work in progress	**(237)**	154	**(237)**	154
Disposals	**(167)**	(163)	**(167)**	(163)
Reclassification to assets held for sale (Note 16)	**(12)**	-	**(12)**	-
Depreciation	**(1,071)**	(1,182)	**(1,071)**	(1,183)
Carrying amount at end of year	**3,085**	3,479	**3,085**	3,479
Computer software				
Carrying amount at beginning of year	**326**	486	**326**	486
Additions	**4**	139	**4**	139
Net work in progress	**258**	(116)	**258**	(116)
Disposals	**-**	(1)	**-**	(1)
Amortisation	**(164)**	(182)	**(164)**	(182)
Carrying amount at end of year	**424**	326	**424**	326

Notes to the Financial Statements

16. ASSETS HELD FOR SALE

The Holding Entity entered in to a contract on the 16 May 2013 to sell its building and certain plant, property and equipment at its Mitcham Victoria site. Settlement on the property is scheduled to occur on the 16 September 2013.

The assets included under this sale transaction have been reclassified as assets held for sale and comprise of the following:

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Land and buildings	**805**	-	**805**	-
Property, plant and equipment	**146**	-	**146**	-
	951	-	**951**	-

Cumulative income or expenses included in other comprehensive income

There are no cumulative income or expenses included in other comprehensive income related to the sale of these assets.

17. CURRENT TAX RECEIVABLE

	Credit Union 2013	Credit Union 2012	Consolidated 2013	Consolidated 2012
Current income tax receivable	**295**	1,736	**-**	1,346

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
18. DEFERRED TAX ASSETS				
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Loans and advances impairment	**982**	1,296	**982**	1,296
Accrued superannuation	**152**	130	**158**	131
Unearned fee income	**3,606**	3,399	**3,606**	3,399
Depreciation	**1,579**	2,532	**1,579**	2,532
Provisions	**5,508**	4,482	**5,551**	4,532
Financial liabilities at fair value through profit or loss	**2,411**	3,909	**590**	2,020
Intangible assets	**12**	56	**12**	56
Other items	**190**	110	**190**	111
	14,440	15,914	**12,668**	14,077
Amounts recognised directly in Equity				
Cash flow hedges	**1,018**	2,222	**1,018**	2,222
Total deferred tax assets	**15,458**	18,136	**13,686**	16,299
Movements:				
Opening Balance	**18,136**	16,439	**16,299**	15,522
Credited/(charged) to the profit or loss (Note 8)	**(1,474)**	596	**(1,409)**	(324)
(Charged)/credited to Equity	**(1,204)**	1,101	**(1,204)**	1,101
Closing balance	**15,458**	18,136	**13,686**	16,299
Deferred tax assets to be recovered after more than 12 months	**9,449**	11,592	**9,470**	11,614
Deferred tax assets to be recovered within 12 months	**6,009**	6,544	**4,216**	4,685
	15,458	18,136	**13,686**	16,299

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
19. INTANGIBLE ASSETS				
Goodwill - at cost	**202**	202	**9,174**	9,174
Accumulated impairment	**(60)**	(60)	**(697)**	(697)
	142	142	**8,477**	8,477
Computer software - at cost	**27,443**	27,182	**27,443**	27,182
Accumulated amortisation	**(22,124)**	(19,810)	**(22,124)**	(19,810)
	5,319	7,372	**5,319**	7,372
Core deposit intangible - at fair value	**6,884**	6,884	**6,884**	6,884
Accumulated amortisation	**(5,862)**	(4,695)	**(5,862)**	(4,695)
	1,022	2,189	**1,022**	2,189
Acquired contractual rights - at cost	**9,178**	9,178	**9,178**	9,178
Accumulated amortisation	**(8,960)**	(7,999)	**(8,960)**	(7,999)
	218	1,179	**218**	1,179
Total intangible assets - at cost or fair value	**43,707**	43,446	**52,679**	52,418
Total accumulated impairment and amortisation	**(37,006)**	(32,564)	**(37,643)**	(33,201)
	6,701	10,882	**15,036**	19,217

Reconciliations

Reconciliations of the carrying amounts for each class of intangible assets are set out below:

	Credit Union 2013 $'000	Credit Union 2012 $'000	Consolidated 2013 $'000	Consolidated 2012 $'000
Goodwill				
Carrying amount at beginning of year	**142**	142	**8,477**	8,477
Impairment charge	**-**	-	**-**	-
Carrying amount at end of year	**142**	142	**8,477**	8,477
Computer software				
Carrying amount at beginning of year	**7,372**	8,802	**7,372**	8,802
Additions	**278**	506	**278**	506
Net work in progress	**(7)**	372	**(7)**	372
Amortisation	**(2,324)**	(2,308)	**(2,324)**	(2,308)
Carrying amount at end of year	**5,319**	7,372	**5,319**	7,372
Core deposit intangible				
Carrying amount at beginning of year	**2,189**	3,819	**2,189**	3,819
Amortisation	**(1,167)**	(1,630)	**(1,167)**	(1,630)
Carrying amount at end of year	**1,022**	2,189	**1,022**	2,189
Acquired contractual rights				
Carrying amount at beginning of year	**1,179**	3,494	**1,179**	3,494
Amortisation	**(961)**	(2,315)	**(961)**	(2,315)
Carrying amount at end of year	**218**	1,179	**218**	1,179

Notes to the Financial Statements

19. INTANGIBLE ASSETS (Continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Consolidated Entity's cash generating units (CGUs) identified according to business segment and region of operation.

A segment level summary of the goodwill allocation is presented below:

	Consolidated	
	2013	2012
	$'000	$'000
Financial Planning	**8,477**	8,477

The recoverable amount has been calculated in accordance with Note 1 g) and no impairment has been identified.

Key assumptions used in value in use calculations:

The recoverable amount of a CGU is determined on either a fair value less costs to sell or a "Value in Use" methodology. The net present value (NPV) of the relevant CGU's anticipated cash flows is used as a basis for determining whether any impairment exists.

- Cash flows were projected using the budgeted operating results for the next financial year as a base level, with cash flows extrapolated over a further two years applying primarily a revenue growth rate of 7%, an overhead growth rate of 6% and a final terminal value calculation with no further growth rate applied.

- A discount rate of 13.913% was applied in determining the recoverable amounts for the CGUs. These discount rates were estimated based on the weighted average cost of debt and capital allocated by the Consolidated Entity to these CGUs, reflecting the market assessment of any risks specific to a financial planning business.

- Management has undertaken sensitivity analysis and believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGUs to exceed their recoverable amount.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
20. OTHER FINANCIAL ASSETS				
Interest rate swaps used for hedging	**120**	-	**120**	-
Interest rate swaps at fair value through profit or loss	**6,068**	6,297	**4,348**	3,070
	6,188	6,297	**4,468**	3,070
21. OTHER ASSETS				
Deferred borrowing costs	**6,067**	4,870	**6,067**	4,870
Accumulated amortisation	**(3,359)**	(2,411)	**(3,359)**	(2,411)
Prepayments	**2,534**	2,014	**2,556**	2,038
	5,242	4,473	**5,264**	4,497
22. DEPOSITS				
Members' deposits	**4,005,432**	3,978,430	**4,004,275**	3,977,788
Withdrawable shares (issued and paid up shares at $2.00 per share)	**675**	688	**675**	688
	4,006,107	3,979,118	**4,004,950**	3,978,476
(a) Maturity analysis:				
At call	**2,230,898**	1,947,757	**2,229,741**	1,947,115
Not longer than 3 months	**900,495**	1,179,041	**900,495**	1,179,041
Longer than 3 and not longer than 12 months	**772,694**	748,777	**772,694**	748,777
Longer than 1 and not longer than 5 years	**102,020**	103,487	**102,020**	103,487
Longer than 5 years	**-**	56	**-**	56
	4,006,107	3,979,118	**4,004,950**	3,978,476

Withdrawable shares are included as part of at call deposits.

	Credit Union 2013 $'000	Credit Union 2012 $'000	Consolidated 2013 $'000	Consolidated 2012 $'000
23. OTHER FINANCIAL LIABILITIES				
Interest rate swaps used for hedging	**3,393**	7,408	**3,393**	7,408
Interest rate swaps at fair value through profit or loss	**1,968**	6,733	**6,317**	9,803
	5,361	14,141	**9,710**	17,211
24. TRADE AND OTHER PAYABLES				
Accounts payable	**57,711**	48,175	**56,165**	59,253
Accrued interest payable	**29,047**	34,687	**27,609**	33,473
Amounts payable to controlled entities (Note 40)	**1,884**	739	**-**	-
	88,642	83,601	**83,774**	92,726

Notes to the Financial Statements

25. BORROWINGS

The Consolidated Entity has access to the following funding facilities:

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Borrowings				
Wholesale funding facilities	**465,166**	798,598	**465,166**	798,598
Loans payable to securitisation trusts	**796,861**	536,676	**-**	-
Notes payable	**-**	-	**776,357**	509,025
Total borrowings	**1,262,027**	1,335,274	**1,241,523**	1,307,623
Wholesale funding facility utilisation				
Wholesale funding facilities - utilised	**465,166**	798,598	**465,166**	798,598
Wholesale funding facilities - unutilised	**186,161**	202,981	**186,161**	202,981
Wholesale funding available facilities	**651,327**	1,001,579	**651,327**	1,001,579
Wholesale funding facilities maturity analysis				
Longer than 3 and not longer than 12 months	**650,000**	1,000,000	**650,000**	1,000,000
Longer than 1 and not longer than 5 years	**1,327**	1,579	**1,327**	1,579
	651,327	1,001,579	**651,327**	1,001,579

Wholesale funding (National Australia Bank Ltd, Westpac Banking Corporation Ltd and Waratah Finance Pty Ltd) represents amounts drawn by the Consolidated Entity, at balance date, from three separate warehouse facilities whereby the equitable ownership of qualifying mortgage receivables are sold whilst their legal ownership is retained. As the majority of the benefits associated with the sold receivables remains with the Holding Entity, the transactions have been accounted for as a borrowing facility in these financial statements, with the underlying loan assets remaining on balance sheet.

26. CURRENT TAX PAYABLE

	Credit Union 2013	Credit Union 2012	Consolidated 2013	Consolidated 2012
Current income tax payable	**-**	-	**101**	-

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000

27. DEFERRED TAX LIABILITIES

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss				
Prepayments	**205**	756	**205**	756
Depreciation	**256**	2,251	**256**	2,251
Intangibles	**795**	1,797	**795**	1,798
Financial assets at fair value through profit or loss	**1,821**	1,889	**-**	-
	3,077	6,693	**1,256**	4,805
Amounts recognised directly in equity				
Revaluation of property, plant and equipment				
Cash flow hedges	**36**	-	**36**	-
Fair value reserve - Available for Sale financial assets	**338**	477	**338**	477
Total deferred tax liabilities	**3,451**	7,170	**1,630**	5,282
Movements:				
Opening balance	**7,170**	7,629	**5,282**	6,672
Credited to profit or loss (Note 8)	**(3,616)**	(623)	**(3,549)**	(1,554)
Charged/(credited) to Equity	**(103)**	164	**(103)**	164
Closing balance	**3,451**	7,170	**1,630**	5,282
Deferred tax liabilities to be settled after more than 12 months	**1,256**	4,804	**1,256**	4,804
Deferred tax liabilities to be settled within 12 months	**2,195**	2,366	**374**	478
	3,451	7,170	**1,630**	5,282

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority.

Notes to the Financial Statements

28. EMPLOYEE BENEFITS

	Credit Union		Consolidated	
	2013 **$'000**	2012 $'000	**2013** **$'000**	2012 $'000
Provision for annual leave	**6,005**	5,734	**6,080**	5,828
Provision for long service leave	**10,242**	8,813	**10,310**	8,887
Provision for rostered days off	**181**	146	**182**	147
	16,428	14,693	**16,572**	14,862

a) Superannuation commitments

The Holding Entity has established superannuation funds for employees of the Consolidated Entity, which existed for the full financial year. The benefit is the provision of retirement lump sums via accumulation type funds.

The basis of contributions to the funds is by way of employer and employee contributions. The obligation to contribute to the funds is to ensure compliance with the superannuation guarantee charge.

b) Number of Employees at year end

	Credit Union		Consolidated	
	2013 **No.**	2012 No.	**2013** **No.**	2012 No.
Full time equivalent	**994**	962	**1,000**	971

29. REDEMEED PREFERENCE SHARE CAPITAL

	Credit Union	
	2013 **$'000**	2012 $'000
Redeemed member shares		
Opening Balance	**537**	507
Transfer from retained earnings	**56**	30
Closing Balance	**593**	537

Under the Corporations Act 2001 (S 254K), redeemable preference shares (Members $2 Shares) may only be redeemed out of the Credit Union's profit or through a new issue of shares for the purpose of the redemption. The Holding Entity therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Holding Entity), from retained earnings to the redeemed preference share capital account. The value of members' shares for existing members is disclosed in Note 22.

Notes to the Financial Statements

30. RESERVES

a) General reserve for credit losses

The Australian Prudential Regulatory Authority ("APRA") requires Authorised Deposit-Taking Institutions ("ADI's") to maintain a prescribed level of provision for regulatory purposes. The difference between the impairment provisions calculated under IFRS and those required by APRA is represented by the General reserve for credit losses. The reserve has been appropriated from retained earnings.

b) Hedging reserve - cash flow hedges

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedge transactions that have not yet occurred.

c) Asset revaluation reserve

The revaluation reserve relates to property, plant and equipment, and investment in controlled entities measured at fair value in accordance with applicable Australian Accounting Standards.

d) Fair value reserve - available-for-sale financial assets

The fair value reserve is the difference in the carrying amount and the fair value of the Available-for-Sale financial assets held by the Consolidated Entity.

e) Other equity reserves

The other equity reserves represent the retained earnings of Savings & Loans Credit Union (S.A.) Limited recognised upon the merger with the Holding Entity.

f) Retained earnings

Retained earnings is the proportion of after-tax profit that is held by the Consolidated Entity.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000

31. CONCENTRATION OF ASSETS

a) Cash and cash equivalents

Cash held with Credit Union Services Corporation (Australia) Ltd	**10,822**	23,855	**10,822**	23,855
Deposits with Credit Union Services Corporation (Australia) Ltd	**-**	44,000	**-**	44,000
	10,822	67,855	**10,822**	67,855

b) Loans and Advances

As at 30 June 2013, the Holding Entity has no loan assets which represent 10% or more of capital (2012: $Nil).

The Holding Entity has an exposure to grouping of individual loans which concentrate risk and create exposure to particular geographic segments as follows:

South Australia	**3,742,793**	3,724,290	**3,742,793**	3,724,290
Northern Territory	**525,997**	511,900	**525,997**	511,900
Victoria	**311,944**	292,256	**311,944**	292,256
New South Wales	**149,088**	151,918	**149,088**	151,918
Western Australia	**78,147**	63,165	**78,147**	63,165
Queensland	**73,279**	61,488	**73,279**	61,488
Australian Capital Territory	**10,571**	9,023	**10,571**	9,023
Tasmania	**6,814**	6,507	**6,814**	6,507
	4,898,633	4,820,547	**4,898,633**	4,820,547

c) Member Deposits

As at 30 June 2013, the Holding Entity has no deposit liabilities which represent 10% or more of total liabilities (2012: $Nil).

The Holding Entity has an exposure to grouping of individual deposits which concentrate risk and create exposure to particular geographic segments as follows:

South Australia	**3,222,435**	3,089,890	**3,221,278**	3,089,248
Northern Territory	**319,717**	305,266	**319,717**	305,266
Victoria	**192,240**	195,876	**192,240**	195,876
New South Wales	**176,885**	273,201	**176,885**	273,201
Western Australia	**23,880**	25,573	**23,880**	25,573
Queensland	**53,672**	72,556	**53,672**	72,556
Australian Capital Territory	**7,436**	7,793	**7,436**	7,793
Tasmania	**9,842**	8,963	**9,842**	8,963
	4,006,107	3,979,118	**4,004,950**	3,978,476

Notes to the Financial Statements

32. COMMITMENTS

a) Capital expenditure commitments

The Consolidated Entity has no capital expenditure commitments as at 30 June 2013. The Consolidated Entity had no capital expenditure commitments for the comparative year ended 30 June 2012.

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
b) Lease expenditure commitments				
Non-cancellable operating leases				
not later than 1 year	**12,798**	10,230	**13,457**	10,501
later than 1 and not later than 2 years	**11,421**	8,648	**12,110**	8,925
later than 2 and not later than 5 years	**29,716**	17,995	**31,936**	18,468
later than 5 years	**64,691**	2,272	**64,691**	2,283
Aggregate lease expenditure contracted for at 30 June	**118,626**	39,145	**122,194**	40,177
c) Credit commitments				
Loans approved not disbursed	**124,256**	98,451	**124,256**	98,451
Members unused credit facility	**449,734**	454,060	**449,734**	454,060
	573,990	552,511	**573,990**	552,511

The Consolidated Entity leases various motor vehicle, office (including the new head office) and branch premises under non-cancellable leases expiring within one to twelve years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

33. CONTINGENCIES

Details of contingent liabilities and contingent assets where the probability of further payments/receipts is not considered remote are set out below, as well as details of contingent liabilities and contingent assets, which although considered remote, the Directors consider should be disclosed.

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that the future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

a) Guarantees

The Consolidated Entity has issued guarantees as follows:

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Guarantee issued for members	**2,539**	2,337	**2,539**	2,337

Notes to the Financial Statements

33. CONTINGENCIES (Continued)

b) Credit Union Financial Support System Limited

With effect from 1 July 1999, the Holding Entity is a party to the Credit Union Financial Support System ("CUFSS"). CUFSS is a voluntary scheme that all Credit Unions which are affiliated with Credit Unions Services Corporation (Australia) Limited ("Cuscal") have agreed to participate in. CUFSS is a company limited by guarantee, each Credit Union's guarantee being $100. As a member of CUFSS, the Holding Entity:

- May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support;
- May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support;
- Agrees, in conjunction with other members, to fund the operating costs of CUFSS.

34. STANDBY BORROWING FACILITIES

The Holding Entity has the following borrowing facilities:

	Credit Union		Consolidated	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000
a) Overdraft facility				
Gross facility amount	**5,000**	5,000	**5,000**	5,000
Less: current borrowing	**-**	-	**-**	-
Net available	**5,000**	5,000	**5,000**	5,000
b) Wholesale funding facilities (Note 25)				
Gross facility amount	**651,327**	1,001,579	**651,327**	1,001,579
Less: current borrowing	**(465,166)**	(798,598)	**(465,166)**	(798,598)
Net undrawn	**186,161**	202,981	**186,161**	202,981

35. SECURITISATION

In the ordinary course of business, the Consolidated Entity enters into transactions that result in the transfer of financial assets to third parties or special purpose entities on an arm's length basis. The Holding Entity transferred loans totalling $232.698 million (2012: $248.289 million) during the financial year. The total value of transferred loans as at 30 June 2013 was $1,284.567 million (2012: $1,403.990 million). The Consolidated Entity does invest in some of its own securitisation programs where the Holding Entity holds A and B notes equivalent to $38.162 million as at 30 June 2013 (2012: $27.651 million).

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
36. AUDITOR'S REMUNERATION				
During the year the following fees were paid or payable for service provided by the auditor of the Consolidated Entity:				
a) Audit services				
KPMG				
Audit and review of the financial reports	**201**	195	**227**	212
Other regulatory audit services	**85**	27	**88**	32
	286	222	**315**	244
b) Taxation services				
KPMG	**159**	201	**159**	201
c) Other assurance services				
KPMG	**71**	75	**71**	75
d) Other services				
KPMG	**12**	16	**12**	16

Notes to the Financial Statements

37. INVESTMENTS IN CONTROLLED ENTITIES

	% held by Holding Entity		Book value of shares/units	
Name of entity	**2013**	**2012**	**2013**	2012
	%	**%**	**$**	$
Australian Central Credit Union Ltd (trading as People's Choice Credit Union)				
Controlled entities				
Australian Central Services Pty Ltd	**100**	100	**-**	-
Australian Central Travel Pty Ltd	**100**	100	**2**	2
Financial Solutions Australasia Pty Ltd	**100**	100	**4,987,793**	4,987,973
70 Light Square Pty Ltd	**100**	100	**-**	-
Flinders Finance Pty Ltd	**100**	100	**160,000**	160,000
Let's Talk Home Loans Group Pty Ltd	**100**	100	**1**	1
Austral Financial Planning Pty Ltd	**100**	100	**1**	1
People's Choice Communtiy Foundation Ltd	**100**	100	**-**	-
Special purpose entities				
Light Trust No. 1				
Light Trust No. 2				
Light Trust No. 3				
Light Trust No. 4				

All controlled entities and special purpose entities are incorporated in Australia. All shares held are ordinary shares. The amounts disclosed in relation to investments in controlled entities in this note have not been rounded to the nearest one thousand dollars in order to disclose amounts which would otherwise have been rounded down to zero.

Australian Central Travel Pty Ltd, 70 Light Square Pty Ltd, Flinders Finance Pty Ltd, Let's Talk Home Loans Group Pty Ltd and Austral Financial Planning Pty Ltd are small proprietary companies and have not been audited.

People's Choice Community Foundation Ltd is a company limited by guarantee. The date of incorporation was the 9th December 2011 and the company was audited in November 2012 for the year ended 31 October 2012. The foundation was set up to operate the Holding Entity's Community Lottery.

Notes to the Financial Statements

38. ECONOMIC DEPENDENCY

The Holding Entity has an economic dependency on the following suppliers of services:

a) Credit Union Services Corporation (Australia) Ltd

This company provides the Holding Entity with the rights to and the production of members cheques, ATM management services, Redicards and Visa cards, provides finance facilities, settlement with bankers, electronic funds deposit, central banking and money market services. In addition, this company operates the switching system that links rediATM's, other approved EFT suppliers, Visa acquirers and merchants to the Holding Entity's computer systems.

b) Fiserv ASPAC Pte. Ltd

This company is a member of an international group which owns core computer software which the Holding Entity operates.

c) CU Technology Development Ltd

This company holds the Australian Credit Unions' licence for the Fiserv computer software and sub-licenses the software, and provides ongoing support to the Holding Entity.

d) Data Action Pty Ltd

This company operates a computer bureau which operates a processing system of the Holding Entity.

Notes to the Financial Statements

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
39. NOTES TO THE STATEMENTS OF CASH FLOWS				
a) Reconciliation of cash and cash equivalents				
For purposes of the Statements of Cash Flows, cash and cash equivalents comprise the following:				
Cash and cash equivalents	**144,826**	138,900	**151,592**	148,162
Available-for-Sale investment securities with maturity less than 3 months	**460,803**	567,081	**474,083**	574,081
	605,629	705,981	**625,675**	722,243
b) Reconciliation of profit after income tax to net cash from operating activities				
Profit for the period	**27,897**	21,367	**28,825**	22,235
Adjustments for:				
Depreciation and amortisation	**9,220**	10,587	**9,220**	10,588
Decrease in provision for impairment	**(1,048)**	(356)	**(1,048)**	(356)
Amortisation of fair value adjustments upon merger	**2,073**	3,674	**2,073**	3,674
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**(1,971)**	(404)	**(1,971)**	(404)
Bad debts written off	**3,345**	3,710	**3,345**	3,710
Dividend income classified as investing cash flow	**(2,271)**	(2,939)	**(2,271)**	(2,939)
Decrease/(increase) in provision for employee benefits	**1,735**	1,192	**1,710**	1,248
Decrease/(increase) in provision for income tax	**1,441**	(7,688)	**1,447**	(7,653)
Decrease/(increase) in deferred tax assets	**2,678**	(7,033)	**2,613**	(7,045)
Increase/(decrease) in provision for deferred tax liabilities	**(3,719)**	4,878	**(3,652)**	4,878
Net profit on sale of property, plant & equipment	**(7,720)**	(101)	**(7,720)**	(101)
Change in assets and liabilities:				
Decrease in interest payable	**(5,640)**	(2,687)	**(5,864)**	(2,599)
Increase/(decrease) in payables and other liabilities	**10,681**	(4,093)	**(3,088)**	(11,428)
(Increase)/decrease in net loans and advances	**(79,389)**	132,056	**(79,389)**	132,056
Decrease in interest receivable	**5,033**	1,376	**5,032**	1,386
Increase/(decrease) in other financial assets/liabilities	**(6,700)**	3,784	**(6,928)**	3,784
(Increase)/decrease in other assets	**406**	1,810	**358**	1,520
Net cash from operating activities	**(43,949)**	159,133	**(57,308)**	152,554

Notes to the Financial Statements

40. RELATED PARTIES

a) Directors

The following were Directors of the Consolidated Entity from the beginning of the financial year to the date of this report.

(i) Chair - Non-Executive
W. R. Cossey AM

(ii) Deputy Chair - Non-Executive
J.L. Cossons

(iii) Executive Director
P.H.T. Evers (Managing Director)

(iv) Non-Executive Directors
Dr R. H. S. Brooks
S. M. Day
E. T. McGuirk
J. McMahon
K. A. Skipper AM

b) Other key management personnel

The following persons, employed by the Holding Company, also had authority and responsibility for planning, directing and controlling the activities of the Consolidated Entity, directly or indirectly, during the financial year:

Name	Position
D. Bateman	General Manager Advice and Relationships
A. Hamilton	General Manager Marketing and Product Management
T. Hampton	General Manager Technology
D. Lewis	General Manager Retail Banking
D. Mattiske-Wood	General Manager Organisational Development
S. Laidlaw	General Manager Finance and Treasury (appointed 19 November 2012)
L. Wilkinson	General Manager Risk

c) Key management personnel compensation

Key management personnel compensation is comprised of:

	Credit Union		Consolidated	
	2013	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**3,347**	3,516	**3,347**	3,516
Post-employment benefits – superannuation	**215**	261	**215**	261
Other long term benefits	**962**	833	**962**	833
	4,524	4,610	**4,524**	4,610

Notes to the Financial Statements

40. RELATED PARTIES (Continued)

d) Loans to key management personnel

Loans

Loans to Directors and key management personnel are either unsecured or secured by registered mortgage over eligible security in accordance with standard lending policies.

(i) Aggregates for key management personnel

Consolidated	Opening Balance $'000	Closing Balance $'000
2013	**4,452**	**5,032**
2012	4,029	4,452

All loans to Directors including their related parties are made on normal member terms and conditions which apply to each class of loan.

All loans to management personnel are made on normal staff terms and conditions that are applicable to normal staff benefit packages.

The key management personnel who conducted loan accounts with the Holding Entity during the year were W.R. Cossey AM, J.L. Cossons, P.H.T. Evers, S.M. Day, K.A. Skipper AM, T. Hampton, A. Hamilton, D. Lewis and L. Wilkinson.

e) Other transactions with key management personnel

Apart from the details disclosed in this note, no key management personnel have entered into a material contract with the Holding Entity or the Consolidated Entity since the end of the previous year and there were no material contracts involving key management personnel interests existing at year end.

Financial transactions (including loans disclosed within this report) of Directors (including the Managing Director) occur in the ordinary course of business on an arm's length basis. For other key management personnel, financial transactions (other than loans disclosed within this report) are made on normal staff terms and conditions that are applicable to normal staff benefit packages. Disclosure of financial transactions regularly made as part of normal banking operations is limited to disclosure of such transactions with key management personnel and entities controlled or significantly influenced by them. All such financial transactions that have occurred between entities within the Group and their key management personnel have been trivial or domestic in nature and were in the nature of normal personal banking and deposit transactions.

As required to be a member of the Holding Entity, each key management person holds one $2 share.

f) Non-key management personnel disclosures

(i) The Holding Entity has related party transactions with its subsidiaries with the transactions set out below.

Controlled entities

Interests in controlled entities are set out in Note 37.

Notes to the Financial Statements

40. RELATED PARTIES (Continued)

f) Non-key management personnel disclosures (continued)

(ii) Transactions with related parties

	Credit Union	
	2013	2012
	$'000	$'000
Financial Solutions Australasia Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Financial Solutions Australasia Pty Ltd:		
Management fee income	**217**	214
Payable	**1,756**	652
Australian Central Services Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Australian Central Services Pty Ltd:		
Management fee income	**115**	94
Payable	**117**	87
Light Trust No. 1		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 1:		
Residual unitholder net distribution	**(1,426)**	769
Loan	**87,698**	110,979
Net Swap Expense	**(2,059)**	(1,884)
Light Trust No. 2		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 2:		
Residual unitholder net distribution	**(926)**	308
Loan	**77,512**	99,203
Net Swap Expense	**(1,036)**	(802)
Light Trust No. 3		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 3:		
Residual unitholder net distribution	**(2,547)**	1,596
Loan	**253,387**	326,494
Net Swap Expense	**(2,983)**	(2,042)

Notes to the Financial Statements

40. RELATED PARTIES (Continued)

f) Non-key management personnel disclosures (continued)

(ii) Transactions with related parties (continued)

	Credit Union	
	2013	2012
	$'000	$'000
Light Trust No. 4		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Light Trust No. 4:		
Residual unitholder net distribution	**1,502**	-
Loan	**378,263**	-
Net Swap Expense	**(2,092)**	-
Flinders Finance Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Flinders Finance Pty Ltd:		
Interest Paid by the Holding Entity	**4**	7
Receivable	**4**	2
Flinders Finance Pty Ltd has funds on deposit with the Holding Entity for which it is paid a commercial interest rate.	**198**	194
Let's Talk Home Loans Group Pty Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with Let's Talk Home Loans Group Pty Ltd:		
Other Revenue received by the Holding Entity	**15**	20
Commission Paid by the Holding Entity	**3**	4
Receivable	**114**	69
Let's Talk Home Loans Group Pty Ltd has funds on deposit with the Holding Entity which is non interest bearing.	**425**	342
People's Choice Community Foundation Ltd		
Aggregate amounts included in the Holding Entity accounts that resulted from transactions with People's Choice Community Foundation Ltd:		
Payable	**11**	-
Receivable	**-**	72
Contribution towards operating expense	**(428)**	(415)
People's Choice Community Foundation Ltd has funds on deposit with the Holding Entity which is non interest bearing.	**115**	105

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS

a) Financial risk management objectives

The Holding Entity and the Consolidated Entity as part of its daily operations is exposed to a range of risks. The management of these risk exposures involves a number of activities including the identification of particular risks, quantifying the risk exposure, implementing procedures to control and mitigate the risks, and risk reporting.

The Holding Entity and the Consolidated Entity have in place an enterprise wide risk management process. The process is managed through the Risk Committee, and is supported by a documented risk management plan, risk policies and strategies, internal controls and procedures and a Business Continuity Plan.

The risk management process involves establishing the context and the identification, analysis, treatment, communication and ongoing monitoring of risks. A risk register has been established as part of the risk management process that enables a structured and logical assessment and reporting of identified risks including their consequences and likelihood, and the assessment of established risk mitigation controls.

b) Terms, conditions and accounting policies

The Consolidated Entity's accounting policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at the balance date, are disclosed in Note 1.

c) Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Consolidated Entity has in place information systems and a structured process to monitor and manage liquidity risk. The management process incorporates specific liquidity management strategies and liquidity contingency plans that manage liquidity on a daily basis under normal situations and assumed adverse scenarios. The liquidity strategy requires the holding of surplus funds in high quality liquid assets ("HQLA"), the availability of appropriate standby lines of funding, maintenance of reliable sources of funding (retail and wholesale) and daily liquidity projections.

APRA Prudential standards place specific management and reporting requirements on credit unions in relation to liquidity risk. The Prudential Standards provide that liquidity strategies and liquidity holdings can be based on either a scenario analysis or on a minimum liquidity holdings basis. APRA has approved the adoption by the Holding Entity of a minimum liquidity holding basis whereby the Holding Entity is required to maintain a minimum holding in specified HQLA at all times. The Holding Entity and the Consolidated Entity complied with all APRA liquidity requirements throughout the year. The Holding Entity's HQLA liquidity ratio as at the end of the reporting period (30 June) and the comparative period were as follows:

	Credit Union	
	2013	2012
Liquidity holdings	**12.88%**	15.46%

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Consolidated Entity's and the Holding Entity's financial liabilities as at 30 June 2013 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as notice where given immediately. However, the Consolidated Entity or the Holding Entity expect that many members will not request repayment on the earliest date the Consolidated Entity or the Holding Entity could be required to pay and the tables do not reflect the cash flows indicated by the Consolidated Entity's or the Holding Entity's deposit retention history. Derivatives designated in a hedging relationship are based on their contractual maturity.

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

c) Liquidity risk management (continued)

Contractual undiscounted cash flows (continued)

Holding Entity

	Carrying Amount		Contractual Cashflows		On demand		Less than 3 months		3-12 months		1-5 years		Over 5 years	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Non Derivative Financial liabilities														
Deposits	**4,006,107**	3,979,118	**4,046,404**	4,022,230	**2,238,503**	1,952,148	**914,548**	1,197,395	**784,247**	760,848	**109,106**	111,782	**-**	57
Trade and other payables	**88,642**	83,601	**88,642**	83,601	**-**	-	**88,642**	83,601	**-**	-	**-**	-	**-**	-
Borrowings	**1,262,027**	1,335,274	**2,016,063**	2,030,426	**-**	-	**52,278**	84,072	**522,603**	912,339	**249,461**	176,227	**1,191,721**	857,788
Derivative Financial Instruments														
Interest rate swaps (Assets)/liabilities	**(827)**	7,844	**(762)**	9,569	**-**	-	**1,348**	(1,941)	**2,158**	(2,705)	**(3,112)**	7,744	**(1,156)**	6,471
Total cash flows	**5,355,949**	5,405,837	**6,150,347**	6,145,826	**2,238,503**	1,952,148	**1,056,816**	1,363,127	**1,309,008**	1,670,482	**355,455**	295,753	**1,190,565**	864,316

Consolidated Entity

	Carrying Amount		Contractual Cashflows		On demand		Less than 3 months		3-12 months		1-5 years		Over 5 years	
	2013 $'000	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Non Derivative Financial liabilities														
Deposits	**4,004,950**	3,978,476	**4,045,246**	4,021,588	**2,237,345**	1,951,506	**914,548**	1,197,395	**784,247**	760,848	**109,106**	111,782	**-**	57
Trade and other payables	**83,774**	92,726	**83,774**	92,726	**-**	-	**83,774**	92,726	**-**	-	**-**	-	**-**	-
Borrowings	**1,241,523**	1,307,623	**1,977,373**	1,974,833	**-**	-	**51,876**	83,483	**521,397**	910,610	**243,042**	167,148	**1,161,058**	813,592
Derivative Financial Instruments														
Interest rate swaps (Assets)/liabilities	**5,242**	14,141	**5,307**	14,513	**-**	-	**1,721**	3,436	**3,219**	6,836	**367**	4,241	**-**	-
Total cash flows	**5,335,489**	5,392,966	**6,111,700**	6,103,660	**2,237,345**	1,951,506	**1,051,919**	1,377,040	**1,308,863**	1,678,294	**352,515**	283,171	**1,161,058**	813,649

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Consolidated Entity's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the Statement of Financial Position. The maximum credit exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question. Collateral takes the form of mortgage interests over real property. The value of collateral held against individual exposures is generally only assessed at the time of borrowing or when a specific review of that exposure is undertaken in accordance with policy.

The Group holds collateral against loans and advances to members in the form of mortgage interests over real property. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

The Consolidated Entity's maximum exposure to credit risk at the reporting date was:

Exposure to credit risk	Note	Consolidated 2013 $'000	Consolidated 2012 $'000
Cash and cash equivalents	10	**151,592**	148,162
Trade and other receivables	11	**15,288**	20,848
Loans and advances	12	**4,891,855**	4,812,466
Available-for-Sale investment securities	14	**664,036**	752,822
Financial assets at fair value through profit	20	**4,468**	3,070
Interest rate swaps used for hedging	23	**9,710**	17,211
		5,736,949	5,754,579

Exposure to credit risk	Loans and advances to members 2013 $'000	Loans and advances to members 2012 $'000	Investment Securities 2013 $'000	Investment Securities 2012 $'000
Individually impaired				
- Mortgage secured	**509**	-	-	-
- Other loans	**1,813**	2,480	-	-
Gross amount	**2,322**	2,480	-	-
Less: Allowance for impairment	**(2,255)**	(2,480)	-	-
Carrying amount	**67**	-	-	-
Past due but not impaired				
1 - 30 days	**120,918**	112,142	-	-
31 - 60 days	**16,345**	15,733	-	-
61 - 90 days	**5,832**	7,576	-	-
90 days +	**7,535**	9,482	-	-
Gross amount	**150,630**	144,933	-	-
Less: Allowance for impairment	**(1,018)**	(1,841)	-	-
Carrying Amount	**149,612**	143,092	-	-
Neither past due nor impaired	**4,745,681**	4,673,134	**57,289**	46,498
Includes accounts with renegotiated terms	***7,717***	*7,653*	**-**	-
Total Carrying Amount	**4,895,360**	4,816,226	**57,289**	46,498

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

e) Capital adequacy

The management of the capital of a financial institution is a fundamental part of its risk management process as an essential element of capital is its availability to absorb future, unexpected and unidentified losses.

APRA Prudential Standards require ADI's to maintain at all times a minimum ratio of capital to risk weighted assets. As part of its risk management process, the Holding Entity has developed a methodology with financial modelling to assist in determining the optimum level of capital that is consistent with assessed risk exposure and business activity. The optimum capital is managed within a range well above the minimum required by APRA and incorporates an assessment of the combined risk exposure for operations, market, credit and strategic risk.

The capital management plan ensures the ongoing capital management of the Holding Entity is maintained consistent with the level and extent of the risks the Holding Entity is exposed to from its activities. The Holding Entity and Consolidated Entity complied with all APRA capital adequacy requirements throughout the year.

Consolidated	**2013 $'000**	2012 $'000
Total qualifying capital	**413,986**	383,760
Risk Weighted Assets	**2,806,462**	2,652,489
Capital Adequacy Ratio	**14.75%**	14.47%

f) Market risk management

Market risk is the risk of exposure to changes to financial prices affecting the value of positions held by the Holding Entity as part of its normal trading activities. As the Holding Entity does not deal in foreign exchange contracts or commodities, market risk for the Consolidated Entity consists solely of interest rate risk.

The management of interest rate risk is explained in more detail at Note (h) below.

g) Market risk sensitivity analysis

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Holding Entity and the Consolidated Entity's net interest revenue and net financial assets or "market value of equity" to standard interest rate scenarios. Standard interest rate scenarios include 50 and 100 basis point (bp) parallel falls and rises in all yield curves. Sensitivity outcomes are assessed relative to either a 12 month forecast net interest margin sensitivity, or the Consolidated Entity's current capital base, for market value of equity sensitivity.

	30 June 2013				30 June 2012			
	50 bp rise	**50 bp fall**	**100 bp rise**	**100 bp fall**	50 bp rise	50 bp fall	100 bp rise	100 bp fall
Holding Entity								
Equity Sensitivity	**(0.41%)**	**0.43%**	**(0.81%)**	**0.87%**	0.07%	(0.07%)	0.13%	(0.14%)
Net Revenue Sensitivity	**0.67%**	**(0.43%)**	**1.35%**	**(0.85%)**	2.20%	(1.71%)	4.41%	(3.43%)
Consolidated								
Equity Sensitivity	**0.20%**	**(0.20%)**	**0.40%**	**(0.40%)**	0.28%	(0.28%)	0.55%	(0.57%)
Net Revenue Sensitivity	**0.85%**	**(0.60%)**	**1.70%**	**(1.19%)**	1.63%	(1.14%)	3.25%	(2.28%)

h) Interest rate risk management

Both the Holding Entity's and the Consolidated Entity's activities primarily expose them to the financial risks of changes in interest rates. The Holding Entity utilises extensive modelling techniques to identify the value at risk to net interest income and the market value of equity, given a number of assumed changes in market interest rates. The Board has in place a market risk policy which sets risk limits above which the Holding Entity is required to actively hedge its exposure through the use of on-balance sheet methods or through financial instruments such as interest rate swaps.

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

h) Interest rate risk management (continued)

The Holding Entity and the Consolidated Entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities at the balance date are as follows:

Holding Entity

Financial instruments	Floating interest rate		Fixed interest rate maturing in : 1 year or less		Over 1 to 5 years		More than 5 years		Non interest bearing		Total carrying amount as per Statement of Financial Position		Weighted average effective interest rate	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**%**	%
(i) Financial assets														
Cash and cash equivalents	**135,522**	127,505	**-**	-	**-**	-	**-**	-	**9,305**	11,395	**144,826**	138,900	**2.55%**	2.92%
Loans and advances	**3,285,441**	3,244,957	**326,594**	413,273	**1,264,705**	1,122,238	**15,115**	31,998	**-**	-	**4,891,855**	4,812,466	**6.16%**	6.93%
Investments :														
Available-for-Sale investment securities	**-**	-	**650,756**	747,705	**-**	-	**-**	-	**-**	-	**650,756**	745,822	**3.58%**	4.48%
Other investments	**-**	-	**39,862**	28,704	**-**	-	**-**	-	**17,427**	17,427	**57,289**	46,131	**3.67%**	3.42%
Total financial assets	**3,420,963**	3,372,462	**1,017,212**	1,189,682	**1,264,705**	1,122,238	**15,115**	31,998	**26,732**	28,822	**5,744,726**	5,743,319	**5.75%**	6.46%
(ii) Financial liabilities														
Deposits	**2,230,223**	1,947,069	**1,673,188**	1,927,818	**102,021**	103,487	**-**	56	**675**	688	**4,006,107**	3,979,118	**3.29%**	4.16%
Borrowings	**-**	-	**1,262,026**	1,335,274	**-**	-	**-**	-	**-**	-	**1,262,027**	1,335,274	**4.08%**	4.54%
Total financial liabilities	**2,230,223**	1,947,069	**2,935,214**	3,263,092	**102,021**	103,487	**-**	56	**675**	688	**5,268,134**	5,314,392	**3.48%**	4.25%
(iii) Interest rate swaps - Assets/(liabilities)	**1,216,669**	1,228,037	**(301,053)**	(431,312)	**(729,395)**	(673,506)	**(186,220)**	(123,219)	**-**	-	**827**	(7,844)	**0.32%**	(0.40%)

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

h) Interest rate risk management (continued)

Consolidated Entity

Financial instruments	Floating interest rate		Fixed interest rate maturing in : 1 year or less		Over 1 to 5 years		More than 5 years		Non interest bearing		Total carrying amount as per Statement of Financial Position		Weighted average effective interest rate	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**%**	%
(i) Financial assets														
Cash and cash equivalents	**142,528**	136,454	**-**	-	**-**	-	**-**	-	**9,064**	11,708	**151,592**	148,162	**2.54%**	2.93%
Loans and advances	**3,285,440**	3,244,957	**326,594**	413,273	**1,264,706**	1,122,238	**15,115**	31,998	**-**	-	**4,891,855**	4,812,466	**6.16%**	6.93%
Investments :														
Available-for-Sale investment securities	**-**	-	**664,036**	754,705	**-**	-	**-**	-	**-**	-	**664,036**	752,822	**3.59%**	4.48%
Other investments	**-**	-	**1,701**	1,053	**-**	-	**-**	-	**12,279**	12,280	**13,979**	13,333	**0.42%**	0.24%
Total financial assets	**3,427,968**	3,381,411	**992,331**	1,169,031	**1,264,706**	1,122,238	**15,115**	31,998	**21,343**	23,988	**5,721,462**	5,726,783	**5.75%**	6.46%
(ii) Financial liabilities														
Deposits	**2,229,064**	1,946,427	**1,673,189**	1,927,818	**102,021**	103,487	**-**	56	**675**	688	**4,004,950**	3,978,476	**3.29%**	4.16%
Borrowings	**-**	-	**1,241,523**	1,307,623	**-**	-	**-**	-	**-**	-	**1,241,523**	1,307,623	**4.08%**	4.52%
Total financial liabilities	**2,229,064**	1,946,427	**2,914,712**	3,235,441	**102,021**	103,487	**-**	56	**675**	688	**5,246,473**	5,286,099	**3.48%**	4.25%
(iii) Interest rate swaps - Assets/(liabilities)	**557,459**	752,563	**(159,553)**	(308,236)	**(359,357)**	(444,327)	**(38,549)**	-	**-**	-	**(5,242)**	(14,141)	**(0.50%)**	(1.79%)

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

i) Net fair values

The fair values of financial assets and financial liabilities, together with the carrying amounts shown in the Statement of Financial Position are as follows:

		30 June 2013		30 June 2012		
Holding Entity	**Note**	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000	**Methods and assumptions used to determine net fair values**
Assets carried at fair value						
Available-for-Sale investment securities	14	**650,756**	**650,756**	745,822	745,822	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Other investments	14	**57,289**	**57,350**	46,131	46,197	Other investments represents shares in unlisted companies for which fair value cannot be reliably measured as no active market exists for these assets. There are no current intentions to dispose of these investments. Market value of the interest bearing assets in the Holding Entity are calculated on a discounted cash flow basis.
		708,045	**708,106**	791,953	792,019	
Assets carried at amortised cost						
Cash and cash equivalents	10	**144,826**	**144,826**	138,900	138,900	Being cash at call deposits, the carrying amount is the net fair value.
Trade and other receivables	11	**15,318**	**15,318**	20,930	20,930	Carrying amount has been assumed for net fair value as there are no markets for these assets but, should they be redeemed, it is expected that their carrying amount would be recovered.
Loans and advances	12	**4,891,855**	**4,906,712**	4,812,466	4,824,785	The net fair value of impaired loans has been estimated by their carrying amount net of the aggregate provision for impairment. The net fair value of other loans has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for loans with similar terms.
		5,051,999	**5,066,856**	4,972,296	4,984,615	
(Assets)/liabilities carried at fair value						
Interest rate swaps	20, 23	**(827)**	**(827)**	7,844	7,844	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		(827)	**(827)**	7,844	7,844	
Liabilities carried at amortised cost						
Deposits	22	**4,006,107**	**4,001,623**	3,979,118	3,973,593	The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for deposits with similar terms.
Trade and other payables	24	**88,642**	**88,642**	83,601	83,601	Carrying amount approximates net fair value because of the short term to settlement of the amounts due.
Borrowings	25	**1,262,027**	**1,262,568**	1,335,274	1,336,298	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,356,776	**5,352,833**	5,397,993	5,393,492	

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

i) Net fair values (continued)

		30 June 2013		30 June 2012		
Consolidated Entity	**Note**	**Carrying amount $'000**	**Fair value $'000**	Carrying amount $'000	Fair value $'000	**Methods and assumptions used to determine net fair values**
Assets carried at fair value						
Available-for-Sale investment securities	14	**664,036**	**664,036**	752,822	752,822	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
Other investments	14	**13,979**	**13,978**	13,333	13,333	Other investments represents shares in unlisted companies for which fair value cannot be reliably measured as no active market exists for these assets. There are no current intentions to dispose of these investments. Market value of the interest bearing assets in the Holding Entity are calculated on a discounted cash flow basis.
		678,015	**678,014**	766,155	766,155	
Assets carried at amortised cost						
Cash and cash equivalents	10	**151,592**	**151,592**	148,162	148,162	Being cash at call deposits, the carrying amount is the net fair value.
Trade and other receivables	11	**15,288**	**15,288**	20,848	20,848	Carrying amount has been assumed for net fair value as there are no markets for these assets but, should they be redeemed, it is expected that their carrying amount would be recovered.
Loans and advances	12	**4,891,855**	**4,906,712**	4,812,466	4,824,785	The net fair value of impaired loans has been estimated by their carrying amount net of the aggregate provision for impairment. The net fair value of other loans has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for loans with similar terms.
		5,058,735	**5,073,592**	4,981,476	4,993,795	
(Assets)/liabilities carried at fair value						
Interest rate swaps	20, 23	**5,242**	**5,242**	14,141	14,141	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,242	**5,242**	14,141	14,141	
Liabilities carried at amortised cost						
Deposits	22	**4,004,950**	**4,001,623**	3,978,476	3,972,952	The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Consolidated Entity for deposits with similar terms.
Trade and other payables	24	**83,774**	**83,774**	92,726	92,726	Carrying amount approximates net fair value because of the short term to settlement of the amounts due.
Borrowings	25	**1,241,523**	**1,244,584**	1,307,623	1,305,709	Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.
		5,330,247	**5,329,981**	5,378,825	5,371,387	

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

i) Net fair values (continued)

Interest rates used for determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2013 %	2012 %
Loans and advances	**4.87% - 15.19%**	5.89% - 15.45%
Investment securities	**3.14% - 7.02%**	3.50% - 7.33%
Deposits	**2.62% - 5.05%**	3.04% - 5.36%
Borrowings	**3.82% - 4.28%**	4.58% - 4.88%
Notes Payable	**4.12% - 4.13%**	3.75% - 5.38%
Derivatives	**2.62% - 3.63%**	3.04% - 3.91%

j) Interest rate swap contracts

The Consolidated Entity uses interest rate contracts in managing interest rate exposure, including interest rate swap contracts. Under interest rate swap contracts, the Consolidated Entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Consolidated Entity to mitigate the risk of changing interest rates. The Consolidated Entity enters into interest rate swap agreements for the sole purpose of managing interest rate exposures in the Statement of Financial Position and not for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

			Fair Value		**Notional principal amount**	
	2013 %	2012 %	**2013 $'000**	2012 $'000	**2013 $'000**	2012 $'000
Holding Entity						
Less than 1 year	**5.61%**	6.38%	**(3,444)**	(8,241)	**301,053**	431,312
1 to 2 years	**4.74%**	5.96%	**399**	(1,969)	**261,913**	227,753
2 to 5 years	**5.01%**	5.74%	**2,716**	1,241	**467,482**	445,753
> 5 years	**5.84%**	6.44%	**1,156**	1,125	**186,220**	123,219
	5.18%	6.07%	**827**	(7,844)	**1,216,668**	1,228,037
Consolidated						
Less than 1 year	**5.23%**	6.15%	**(4,878)**	(10,114)	**159,553**	308,236
1 to 2 years	**3.50%**	5.32%	**(623)**	(3,248)	**150,756**	135,558
2 to 5 years	**3.41%**	5.28%	**259**	(779)	**208,601**	308,769
> 5 years	**-**	-	**-**	-	**38,549**	-
	3.84%	**5.65%**	**(5,242)**	(14,141)	**557,459**	752,563

Interest rate swap contracts exchanging fixed rate interest are designed and assessed as effective cash flow hedges.

Notes to the Financial Statements

41. FINANCIAL INSTRUMENTS (Continued)

k) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method for the Consolidated Entity. The different levels have been identified 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 assets or liabilities, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- **Level 3**: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Holding Entity	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-Sale financial assets	**-**	**650,756**	**-**	**650,756**
Derivative financial assets	**-**	**6,188**	**-**	**6,188**
	-	**656,944**	**-**	**656,944**
Derivative financial liabilities	**-**	**(5,361)**	**-**	**(5,361)**
	-	**651,583**	**-**	**651,583**

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Consolidated Entity	**$'000**	**$'000**	**$'000**	**$'000**
Available-for-Sale financial assets	**-**	**664,036**	**-**	**664,036**
Derivative financial assets	**-**	**4,468**	**-**	**4,468**
	-	**668,504**	**-**	**668,504**
Derivative financial liabilities	**-**	**(9,710)**	**-**	**(9,710)**
	-	**658,794**	**-**	**658,794**

	2012			
	Level 1	Level 2	Level 3	Total
Holding Entity	$'000	$'000	$'000	$'000
Available-for-Sale financial assets	-	745,822	-	745,822
Derivative financial assets	-	6,297	-	6,297
	-	752,119	-	752,119
Derivative financial liabilities	-	(14,141)	-	(14,141)
	-	737,978	-	737,978

	2012			
	Level 1	Level 2	Level 3	Total
Consolidated Entity	$'000	$'000	$'000	$'000
Available-for-Sale financial assets	-	752,822	-	752,822
Derivative financial assets	-	3,070	-	3,070
	-	755,892	-	755,892
Derivative financial liabilities	-	(17,211)	-	(17,211)
	-	738,681	-	738,681

Notes to the Financial Statements

42. EVENTS SUBSEQUENT TO REPORTING DATE

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

Registered Office

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Email

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Annual General Meeting

Thursday, 31 October 2013
Commencing 11.00am, Central Daylight Saving Time
Sebel Playford Adelaide, 120 North Terrace, Adelaide

Bankers

Cuscal Ltd
National Australia Bank Limited
Westpac

Auditors

KPMG

Tax Agent

KPMG

Solicitors

Fisher Jeffries
Langes+
Clayton Utz
Piper Alderman