2015 Annual Report

Australian Central Credit Union Ltd (trading as People's Choice Credit Union) and its Controlled Entities
YEAR ENDED 30 JUNE 2015

Contents

Chair's and Managing Director's Report

From strength to strength

People's Choice Credit Union has demonstrated strength and resilience in 2014/15, thriving despite the sustained tough economic environment in which we continue to operate.

Balancing careful cost management with measured investment in the growth of the business ensured we maintained our overall profitability while achieving our strategic goals.

Our business performed well through the year, with several months of record residential lending, strong momentum with financial planning and solid balance sheet growth overall.

Full year financial results were ahead of budget and up year on year, with a few lower-than-anticipated sales results in some areas. Net profit after tax of $25.7 million, slightly higher than the previous financial year, represents a strong result during this continued period of subdued consumer confidence and record low interest rates.

People's Choice ended the 2014/15 year with total assets of $6.895 billion, plus $697 million of third party loans, and our funds under advice grew to more than $1.398 billion – all highlighting the resilient trend of sustained business growth.

Our profits will be reinvested to further improve our products, services and pricing, to broaden access for our members and to make a difference to the communities in which we live and work.

Operating environment of contradictions

Financial institutions continue to operate in fairly uncertain global economic times.

At the national level, we have historically low interest rates, yet consumers are also experiencing a growing level of anxiety about housing affordability.

Record low interest rates are encouraging borrowing and spending to a moderate extent, with stronger business and residential lending occurring, but the surge in property prices in Sydney and Melbourne is not being felt nearly as strongly elsewhere around the country.

We are now getting used to operating in such a challenging and competitive market, with consumers generally apprehensive and lacking confidence. Yet we are finding there is good business to be gained and growth to be achieved, though perhaps not at the higher levels we would ideally like to see.

We anticipate this contradictory environment will continue for the next year or two at least, but overall, we're optimistic about the economy and our future as one of Australia's most successful credit unions, and a strong competitor to the bigger banks.

Promising regulatory reform, but better banking competition still needed

We were pleased with the recommendations made by the Federal Government's Financial System Inquiry Final Report in December 2014, and believe the implementation of its recommendations will produce a stronger, fairer and more competitive industry.

This inquiry was the direct result of pressure from the mutual sector and others, and we provided detailed input into the Customer Owned Banking Association (COBA)'s submission to the Inquiry to ensure our interests were promoted and that we achieve more competition in banking to benefit our members.

While, at the time of writing, we still await the Government's response to the Inquiry's Final Report, we welcome moves by the Australian Prudential Regulation Authority in July 2015 requiring the Big Four banks and Macquarie to increase their capital reserves against their home loan portfolios.

Reform of this regulation was a key recommendation from the Financial System Inquiry and is a welcome step towards a more level playing field – closing the gap between the big banks and mutuals.

In last year's Annual Report, we outlined how People's Choice and our larger mutual banking peers had encouraged COBA to develop an industry vision to which we can all be held to account.

The resulting strategic vision project has progressed slower than anticipated over the past year; however, People's Choice remains closely involved as a leader in the mutual banking industry and we remain optimistic that this project will bring long-term benefits to the sector and our members.

Continuing to deliver on our strategy

In 2014 the Board approved our strategic plan to 2018, affirming our future position from member and business perspectives.

We continued to pursue growth of our business through the fulfilment of our key strategic goals: to be the preferred banking alternative, to grow our membership, to build a stronger credit union and to make a difference in the community.

Investment in infrastructure – both physical and digital, development of staff, and strengthening the economic and social wellbeing of members and the community remained top priorities for People's Choice throughout the year.

Our deep understanding of the Northern Territory economy and communities, built from 45 years of doing business in the Top End, was instrumental in our successful bid for TIO's banking operations from the Northern Territory Government. This acquisition reinforces our commitment to the growth of our business and the future prosperity of the NT.

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

People's Choice received Roy Morgan's 2014 Credit Union of the Year Award for Customer Satisfaction. Such an acknowledgement recognises that the investments made across the business, based on member feedback, are doing what we intended: supporting our members and their financial futures.

Recognising that in order to stay relevant, remain competitive, and gain, engage and retain members, People's Choice continued to invest significantly in digital technology. During the year, we improved the online environment for our members with the launch of our new website and internet banking. New mobile banking apps, delivered in July 2015, further streamlined the ways our members transact and engage with us across various digital platforms.

As People's Choice starts the new financial year, we know that if we continue to be focussed, passionate and energised, we'll be the preferred banking alternative for our growing membership, now and into the future.

Overall, we must continue to operate with the understanding that we are here for our members, and we need to maintain this positive point of difference from our competitors.

Board and our people

Peter Evers, our long-serving Chief Executive and Managing Director, retired on 25 September 2015 after 27 years with the credit union and 15 years as Chief Executive.

Since becoming Chief Executive of the former Australian Central Credit Union in 2000, and Managing Director in 2003, Peter led its growth through to the merger with Savings & Loans Credit Union in 2009 to create People's Choice. Since then People's Choice, under Peter's leadership, has cemented its position as one of Australia's largest and most successful mutual banking organisations.

Peter's decision to retire reflects his confidence that the time is right to hand the reins to a new Chief Executive to lead People's Choice through its next phase of growth. The Board wishes Peter well in his retirement and thanks him for his commitment and leadership over the past 27 years.

Turning to the Board, our members voted to re-elect Dr Rosemary Brooks as a Director of People's Choice, while Virginia Hickey was elected as a new Director at our Annual General Meeting in October 2014.

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 banking organisation despite challenging economic conditions.

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 that we maintain a strong position in the industry.

We are excited about the future and remain dedicated to working together to strengthen our credit union, serve our members better and invest in our people and communities.

John Cossons, Chair

Peter Evers, Managing Director

Year in Review

Growth amid adversity

People's Choice's performance in 2014/15 was strong despite another year of challenging economic conditions, low consumer confidence and intense industry competition. Year on year, residential lending sales increased by 6%, member retail deposit sales were up 56%, risk insurance sales grew by 14% and our financial planning sales were up 24%.

Personal lending sales were down by 12% and general insurance sales decreased by 1% but overall People's Choice exceeded our profit before tax budget by 13%, up 3.4% on last financial year, demonstrating our strength in a difficult climate.

In November 2014, the Northern Territory Government announced the sale of TIO, with People's Choice successful in our bid to acquire the banking operations. On 1 January 2015, the transfer of TIO banking to People's Choice was completed and we were proud to welcome TIO's 10,000 banking customers to People's Choice with all the benefits of being part of a larger and more diverse distribution network and product range.

People's Choice welcomed 21,524 new members during 2014/15, demonstrating our competitive market proposition and the growing strength of our brand.

We continued to invest in our brand during the year to ensure we are well known and 'on the shopping list' whenever people are looking for financial services or advice. We have strong brand recognition in our core markets of South Australia and the Northern Territory, and remain committed to investing in Victoria to achieve our long-term sustainable success.

In 2014/15, we retained our Standard & Poor's Rating Services BBB+ / Stable / A2 credit rating, the equal highest rating achieved by a mutual banking organisation. This consistently strong credit rating confirms our position as a sector-leading financial institution, and instils in us and our members confidence of the sustainability of People's Choice into the future.

More for our members

Over the past year we have supported the future of our members by finding new ways to provide better products, services and advice.

In June 2015 we streamlined our home loan strategy to no longer offer products from a panel of lenders due to the success of our competitive range of products fully serviced by People's Choice for the benefit of our members.

People's Choice's branch refurbishment program continued through the year, with South Australian branches at Marion, Glenelg and Hollywood Plaza in Salisbury receiving re-fits. We will continue to invest in our branches in the year ahead, including the opening of the flagship branch at our new head office in Flinders Street, Adelaide.

Digital enhancements

Digital is fast becoming our members' dominant transaction channel. People's Choice is now averaging around 2.6 million online banking logins each month, and members are completing more than 800,000 online transactions each month. Almost half of our members are regular online banking users, with equal adoption of our internet banking and mobile banking. A leader in our sector in digital banking services, People's Choice continued our significant investment in these channels in 2014/15.

Following the launch of our Digital Branch in September 2014, new internet banking was introduced for members to trial in March, featuring updated responsive designs, enhanced functionality and user-friendly navigation. Our new smartphone apps for Apple and Android devices were also launched in July 2015, providing the consistent, seamless online experience that is at the heart of our digital strategy.

We continued to lead our sector in the new frontier of contactless payments, with a number of technologies introduced to our members during the year. Taking Visa's Pay Wave technology beyond cards, we introduced the redi2PAY app for Android users, and Pay Tag for Apple and other mobile users, as well as Pay Easy, which allows the transfer of funds via an email address or phone number.

At the end of the financial year, People's Choice recorded more than 118,000 downloads across our suite of mobile applications, with more than one third of our members now banking with a mobile device.

A cultural 'shift'

Our new head office at 50 Flinders Street is on track to be fully operational by December 2015, and is set to become a shining example of innovative workplace design, with the base building to be classified as a 5-star 'Green Office' due to its design and energy rating.

As we near the relocation of our Light Square office and National Contact Centre staff to our Flinders Street head office, a significant cultural shift to a flexible working environment is well underway.

The sustained engagement of our staff is demonstrated by the results of our Values & Engagement Survey which place us among the top employers, with 85% staff engagement and 88% of our people agreeing we are living up to our values. These results, which outperform industry benchmarks, demonstrate continued efforts across our business to build a strong values-based culture.

People's Choice furthered the investment in our people and the service provided to our members during the year, providing 29,255 hours of training and development, which included 4,339 hours of leadership development programs.

This investment in the future of our organisation has resulted in a further 168 employees graduating with formal qualifications throughout the year, ensuring we continue to develop a qualified, talented and experienced workforce to support our members now and into the future.

Year in Review (continued)

Community engagement

At People's Choice we believe building strong communities benefits us all. So we're proud to support the economic and social wellbeing of our members and the communities where we live and work.

People's Choice contributed 4.6% of pre-tax profit to corporate community investment during 2014/15. This is nine times the 0.49% average contribution made by major Australian and New Zealand companies (source: LBG Australia).

Including funds raised through the Community Lottery and other programs, we generated $3.5 million for the community during the year and made a difference to close to one million Australians.

The 2014 People's Choice Community Lottery rewrote the record books, helping 1,062 charities, sporting clubs, schools and community groups across Australia, and returning a record $1,577,182 to the community.

In July 2014, People's Choice furthered its support of HeartKids, when 447 runners donned their pyjamas for the inaugural People's Choice PJs Run in Melbourne, and together raised $20,000 for children with heart disease, and their families.

In January 2015, 1,384 people took part in the 2015 People's Choice Undies Run for Bowel Cancer, running, jogging and walking through Adelaide's East End in their underwear to raise $166,067 in the fight against bowel cancer – a new record for the event. The event has now raised $440,000 for Cancer Council SA since the first Undies Run in 2013.

People's Choice is one of the largest supporters nationally of The Big Issue's Women's Subscription Enterprise, funding the safe employment of two disadvantaged women in Victoria and two in South Australia through our 400 monthly subscriptions to the publication. In February 2015, Managing Director Peter Evers participated in The Big Issue's CEO Selling campaign and sold 120 magazines in just over half an hour, raising more than $720 for vendor services.

Our partnership with Riding for the Disabled continued in 2014/15, with 1,389 Pony Banks sold in our branches, and good progress made towards the opening of the People's Choice Riding Arena at O'Halloran Hill in Adelaide's south.

Our partnership with Life Without Barriers to help young South Australians in foster care transition into adulthood is achieving life-changing results. Of the 16 young people initially invited to participate in the New Horizons program, two have moved into independent living, nine are now actively engaged, and all are displaying an increase in independent living skills, with most demonstrating increased social and community connection.

Our staff's contribution to our community was also significant in 2014/15, with 234 volunteers contributing 1,220 hours through 44 activities for 20 charities. In addition, our people donated $48,366 through staff fundraising activities throughout the year including our Workplace Giving Program, monthly casual days and charity auctions.

Our brand salience remained high in 2014/15, with respondents in South Australia and the Northern Territory associating People's Choice with community-mindedness, due in large part to our continued support of major community events throughout Australia, including the Credit Union Christmas Pageant, the People's Choice Classic at the Santos Tour Down Under, The Age Run Melbourne presented by People's Choice, People's Choice BASSINTHEGRASS concert and the People's Choice Teddy Bears' Picnic.

Directors' Report

The Directors present their report together with the financial report of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the "Credit Union"), and its controlled entities (together referred to as the "Group"), for the year ended 30 June 2015 and the Auditor's Report thereon.

DIRECTORS

The Directors of the Credit Union at any time during or since the end of the financial year are:

John Leonard Cossons
Non-Executive Chair
FAMI, MAICD

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

William Raymond Cossey AM
Non-Executive Director (Retired from the Board effective 30 October 2014)
B.Sc, FAICD

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

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

Virginia Sue Hickey
Non-Executive Director (Appointed to the Board effective 30 October 2014)
BA, LLB, FAICD

Directors were in office from the beginning of the financial year until the date of this report, except where indicated otherwise.

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.

Certain Directors have associations with other organisations. Some of these organisations conduct business with the Credit Union. This business is conducted on standard terms and conditions.

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 12.

Directors' Report (continued)

CORPORATE SECRETARY

Ms Christine Manuel BMus, GradDipACG, DipCD, DipInvRel, FGIA, FCIS, MAICD, MAITD, AAIPM was appointed to the position of Corporate Secretary on 10 February 2015. Mr Peter Evers continues to act as an alternate Corporate Secretary. Mrs Rosie Bolingbroke resigned as Corporate Secretary effective 2 July 2014.

PRINCIPAL ACTIVITIES

The principal activities of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the "Credit Union"), and its controlled entities (together referred to as the "Group") during the year were the provision of loans to members and customers, 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.

DIVIDENDS

The Credit Union's Constitution prohibits the payment of dividends on member shares.

REVIEW OF OPERATIONS

The Group recorded a profit after tax for the year ended 30 June 2015 of $25.659 million (2014: $25.497 million).

The total on balance sheet assets for the Group were $6.895 billion (2014: $5.871 billion), representing an increase of $1.024 billion (17.44%) from 30 June 2014. On balance sheet and third party lending settlements for the twelve months ended 30 June 2015 were $1,336 million (2014: $1,302 million) an increase of 2.57% and member retail deposits grew by $520 million (2014: $254 million) representing a portfolio increase of 13.06%. Mortgages under advice (including off balance sheet lending) increased by 13.79% to $6,638 million during the year. For further analysis of the financial year performance refer to the Chair's and Managing Director's report commencing on page 4.

Effective from 1 January 2015, the Group acquired the Territory Insurance Office's ("TIO") banking services following a competitive tender process conducted by the Northern Territory Government. This important acquisition further reinforces the Group's commitment to provide the Northern Territory with an alternative to the established banks, offering customers access to a wider range of products and services.

STATE OF AFFAIRS

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

DIRECTORS' INTERESTS

None of the above Directors have declared any interest in existing or proposed contracts with the Credit Union during the financial year ended 30 June 2015 and to the date of this report.

EVENTS SUBSEQUENT TO THE REPORTING DATE

On 6 August 2015, the Managing Director, Mr Peter Evers announced his retirement from the Board effective 25 September 2015. From this date, Ms Darlene Mattiske-Wood, Executive General Manager Organisational Development, will be Acting Chief Executive while the search process to appoint a new Chief Executive is undertaken.

Other than the retirement of the Managing Director, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' Report (continued)

LIKELY DEVELOPMENTS

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

REGULATORY DISCLOSURES

Prudential Standard *APS 330 Public Disclosure* requires the Group to meet minimum requirements for the public disclosure of information on its 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 financial year, the Credit Union 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.

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

The Lead Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' Report for the year ended 30 June 2015.

ROUNDING

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 to the nearest thousand dollars, unless otherwise stated.

Signed at Adelaide this 8th day of September, 2015
in accordance with a resolution of the Board of Directors of the Credit Union.

J. L. COSSONS
Chair

P.H.T. EVERS
Managing Director

Lead Auditor's Independence Declaration

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 2015 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

John Evans
Partner

Adelaide

8 September 2015

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 ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations, 3rd 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 General Managers and other designated persons in accordance with the Board Remuneration Policy and Australian Prudential Regulation Authority ("APRA") 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.

Corporate Governance Statement (continued)

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.

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. 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	1999
J.L. Cossons (Chair)	1981
S.M. Day (Appointed)	2006
V.S. Hickey	2014
E.T. McGuirk	1996
J. McMahon	1989
K.A. Skipper	2002
Directors – Executive	**Year First Appointed**
P.H.T. Evers (Managing Director)	2003

Director Cossey retired as a Director at the Annual General Meeting held on 30 October 2014 and Director Hickey was appointed as a Director effective 30 October 2014.

Further details on the Directors can be found on page 8 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.

Corporate Governance Statement (continued)

STRUCTURE OF THE BOARD (Continued)

Director Development

Relevant Board policy outlines the knowledge requirements for Directors and provides the high level guidelines for new Director induction and 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.

Refreshment and Renewal

Individual Directors are required on a regular basis to refresh and renew their knowledge generally and on matters 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 is included as part of an individual Director's performance assessment and is also tested externally as part of the Nominations Committee process when 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 has established a policy for the conduct of a three-year cycle of annual Board reviews, comprising:

- Year 1: Internal self and peer assessment of the performance of the Board of Directors as a group, Board Committees, Individual Directors and Chair;
- Year 2: External review of the Board of Directors as a group, Board Committees, individual Directors and the Chair;
- Year 3: Internal short self-assessment questionnaire by Directors on the performance of the Board of Directors as a group and the key areas for focus in the next 12 months.

The internal assessments are conducted by the Chair and Corporate Secretary using a survey of relevant questions and the external assessments are conducted by an independent facilitator. Where applicable, assessment includes feedback from Executive General Managers. An independent Board and Director Assessment process was undertaken during 2013/14 using an external facilitator. The outcome of this process provided a benchmark against which the Board can assess its collective and individual progress and performance over time. Whole of Board review findings are 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. An internal assessment was commenced in June 2015 and results will be addressed by the Board in 2015/16.

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.

Corporate Governance Statement (continued)

COMMITTEES OF THE BOARD (Continued)

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

Audit Committee – the Audit Committee meets at least three times a year 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 and 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 does 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 to manage the process for nomination of Directors, including conducting interviews with nominees and preparing statements to assist Members to make an informed voting decision.

Risk Committee – the Risk Committee meets at least three times a year 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 and safety performance of People's Choice is monitored and the relevant policies reviewed regularly. This committee has a particular requirement that the Chair of the committee cannot be the Chair of the Board.

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, Executive General Manager Risk and Executive General Manager Corporate Services 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 Managing Director and Executive General 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 is 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.

Corporate Governance Statement (continued)

REMUNERATION REPORT

In accordance with APRA standard *APS 330 Public Disclosure*, the People's Choice remuneration report can be found under About Us in 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. 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 has established measurable targets that support achieving diversity in the workplace. These targets will be reported to, and monitored by the Board on an annual basis.

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	4	50	4	50	8
Executive Managers	2	40	3	60	5
Other Managers	83	45	100	55	183
Other Employees	234	26	670	74	904
Total Workforce	323	29	777	71	1,100

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 in June 2015 as a result of the overseas transfer of the previous lead External Audit engagement partner. 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.

Corporate Governance Statement (continued)

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.

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
J.L. Cossons (Chair)	M	12	12			7	7		
P.H.T. Evers (Managing Director)	E	12	12						
Dr R.H.S. Brooks	M	12	12	1	1			3	3
W.R. Cossey	M	5	5			4	4	2	2
S.M. Day [2]	D	12	10					5	5
V.S. Hickey [2]	M	7	6	3	1	3	3		
E.T. McGuirk	M	12	11	4	4			3	3
J. McMahon [2]	M	12	11	4	4			2	2
K.A. Skipper	M	12	12			7	7		

(1) *Ten scheduled Board meetings and two ad hoc meetings were held during the year.*
(2) *All absences from Board and Committee meetings were approved leaves of absence.*

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 Ltd (the Credit Union), which comprises the Statements of Financial position as at 30 June 2015, 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 33 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 2, 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.

Independent Auditor's Report (continued)

KPMG

Independence

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

Auditor's opinion

In our opinion:

a) the financial report of 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 and the Group's financial position as at 30 June 2015 and of their performance for the year ended on that date; and

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

b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

KPMG

KPMG

John Evans
Partner

Adelaide

8 September 2015

Directors' Declaration

In the opinion of the Directors of the Credit Union:

a) the financial statements and notes of the Credit Union and of the Group, set out on pages 21 to 70 are 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 2015 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 2;

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

Signed at Adelaide this 8th day of September, 2015
in accordance with a resolution of the Board of Directors of the Credit Union.

J. L. COSSONS
Chair

P.H.T. EVERS
Managing Director

Statements of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated		Credit Union	
		2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Interest income	4	**322,856**	316,947	**334,005**	320,458
Interest expense	4	**(170,654)**	(173,926)	**(184,981)**	(179,834)
Net interest income		**152,202**	143,021	**149,024**	140,624
Net change in fair value of financial assets/liabilities at fair value through profit or loss		**286**	830	**286**	830
Share in net profit of associates	13	**738**	753	**-**	-
Other income	4	**69,264**	66,529	**69,707**	65,886
Non-interest income		**70,288**	68,112	**69,993**	66,716
Impairment losses on loans and advances	9	**(4,719)**	(4,451)	**(4,719)**	(4,451)
Other expenses	5	**(181,208)**	(171,309)	**(179,317)**	(169,394)
Profit before tax		**36,563**	35,373	**34,981**	33,495
Income tax expense	6	**(10,904)**	(9,876)	**(10,109)**	(9,207)
Profit for the year		**25,659**	25,497	**24,872**	24,288
Profit attributable to:					
Members of the parent		**25,659**	25,497	**24,872**	24,288
Other comprehensive income					
Cash flow hedges:					
Net change in fair value of cash flow hedges transferred to profit or loss		**539**	1,596	**539**	1,596
Effective portion of changes in fair value of cash flow hedges		**(3,411)**	(826)	**(3,411)**	(826)
Equity-accounting fair values		**-**	3,257	**-**	-
Changes in fair value of available-for-sale financial assets		**10,100**	(585)	**10,100**	(585)
Income tax on items of other comprehensive income		**(2,168)**	(1,033)	**(2,168)**	(56)
Other comprehensive income for the year, net of income tax		**5,060**	2,409	**5,060**	129
Total comprehensive income for the year		**30,719**	27,906	**29,932**	24,417

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 Financial Position

AS AT 30 JUNE 2015

	Note	Consolidated		Credit Union	
		2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Assets					
Cash and cash equivalents	7	**137,143**	130,012	**94,283**	118,058
Loans and advances	8	**5,933,569**	5,024,310	**5,933,569**	5,024,310
Available-for-sale investment securities	10	**714,645**	636,921	**706,955**	626,041
Other investments	10	**10,618**	1,809	**631,510**	40,789
Property, plant and equipment	11	**33,431**	23,426	**33,431**	23,426
Intangible assets	12	**12,458**	12,335	**4,123**	4,000
Investments in associates	13	**5,380**	5,184	**1,492**	1,492
Deferred tax assets	6	**16,195**	14,500	**18,076**	15,150
Derivative assets	29	**1,258**	1,578	**6,570**	2,362
Other assets	14	**30,409**	20,718	**30,317**	22,826
Total Assets		**6,895,106**	5,870,793	**7,460,326**	5,878,454
Liabilities					
Deposits	15	**4,985,524**	4,335,835	**4,985,628**	4,336,480
Derivative liabilities	29	**6,742**	5,220	**5,645**	3,642
Other payables	16	**67,338**	56,713	**70,443**	60,910
Borrowings	17	**1,308,559**	979,253	**1,881,164**	993,287
Current tax payable	6	**2,166**	5,575	**1,355**	5,029
Deferred tax liabilities	6	**4,821**	1,792	**5,577**	1,393
Provisions	18	**22,170**	19,338	**22,036**	19,167
Total Liabilities		**6,397,320**	5,403,726	**6,971,848**	5,419,908
Net Assets		**497,786**	467,067	**488,478**	458,546
Equity					
Reserves	19	**184,936**	178,168	**184,930**	178,162
Retained earnings		**312,850**	288,899	**303,548**	280,384
Total Equity		**497,786**	467,067	**488,478**	458,546

The Statements of Financial Position 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 2015

Consolidated Entity	Note	Reserves	Retained earnings	Total
		$'000	$'000	$'000
Opening balance at 1 July 2014		**178,168**	**288,899**	**467,067**
Profit for the year after tax		**-**	**25,659**	**25,659**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	**377**	**-**	**377**
Taken to profit or loss	19	**(2,387)**	**-**	**(2,387)**
Equity-accounting fair value	13	**-**	**-**	**-**
Change in fair value of available-for-sale financial assets	19	**7,070**	**-**	**7,070**
Total comprehensive income for the period		**5,060**	**-**	**5,060**
Transactions recorded directly in equity				
Redeemed member shares	19	**38**	**(38)**	**-**
General reserve for credit losses	19	**1,670**	**(1,670)**	**-**
Total transfer to reserves		**1,708**	**(1,708)**	**-**
Closing balance at 30 June 2015		**184,936**	**312,850**	**497,786**
Opening balance at 1 July 2013		177,976	261,185	439,161
Profit for the year after tax		-	25,497	25,497
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	1,117	-	1,117
Taken to profit or loss	19	(578)	-	(578)
Equity-accounting fair value	13	-	2,280	2,280
Change in fair value of available-for-sale financial assets	19	(410)	-	(410)
Total comprehensive income for the period		129	2,280	2,409
Transactions recorded directly in equity				
Redeemed member shares	19	47	(47)	-
General reserve for credit losses	19	163	(163)	-
Sale of assets held-for-sale	19	(147)	147	-
Total transfer to reserves		63	(63)	-
Closing balance at 30 June 2014		178,168	288,899	467,067

The Statements 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 2015

Credit Union	Note	Reserves	Retained earnings	Total
		$'000	$'000	$'000
Opening balance at 1 July 2014		**178,162**	**280,384**	**458,546**
Profit for the year after tax		**-**	**24,872**	**24,872**
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	**377**	**-**	**377**
Taken to profit or loss	19	**(2,387)**	**-**	**(2,387)**
Change in fair value of available-for-sale financial assets	19	**7,070**	**-**	**7,070**
Total comprehensive income for the period		**5,060**	**-**	**5,060**
Transactions recorded directly in equity				
Redeemed member shares	19	**38**	**(38)**	**-**
General reserve for credit losses	19	**1,670**	**(1,670)**	**-**
Total transfer to reserves		**1,708**	**(1,708)**	**-**
Closing balance at 30 June 2015		**184,930**	**303,548**	**488,478**
Opening balance at 1 July 2013		177,970	256,159	434,129
Profit for the year after tax		-	24,288	24,288
Other comprehensive income, net of income tax				
Cash flow hedges:				
Effective portion of changes	19	1,117	-	1,117
Taken to profit or loss	19	(578)	-	(578)
Change in fair value of available-for-sale financial assets	19	(410)	-	(410)
Total comprehensive income for the period		129	-	129
Transactions recorded directly in equity				
Redeemed member shares	19	47	(47)	-
General reserve for credit losses	19	163	(163)	-
Sale of assets held-for-sale	19	(147)	147	-
Total transfer to reserves		63	(63)	-
Closing balance at 30 June 2014		178,162	280,384	458,546

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 2015

	Note	Consolidated		Credit Union	
		2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Cash from operating activities					
Interest received		**322,531**	317,250	**326,939**	317,659
Interest paid		**(171,447)**	(183,026)	**(181,849)**	(183,309)
Fee and commission received		**32,140**	41,037	**31,124**	35,886
Other income received		**27,634**	26,172	**30,350**	28,219
Net increase in loans and advances		**(295,692)**	(135,741)	**(295,692)**	(135,741)
Net increase in deposits and withdrawable share capital		**484,462**	330,886	**483,921**	330,374
Payments to employees and suppliers		**(168,352)**	(181,491)	**(168,680)**	(179,077)
Income taxes paid		**(12,864)**	(6,260)	**(12,407)**	(5,865)
Net cash from operating activities	20	**218,412**	208,827	**213,706**	208,146
Cash from investing activities					
Net decrease/(increase) in available-for-sale investment securities		**(51,520)**	37,493	**(54,710)**	35,091
Acquisition of non-tradeable investments		**(24,678)**	(108)	**(606,591)**	(108)
Proceeds from sale of non-tradeable investments		**1**	-	**1**	4,330
Acquisition of property plant and equipment		**(19,562)**	(8,803)	**(19,562)**	(8,803)
Proceeds from sale of property, plant and equipment		**2**	951	**2**	951
Dividends from equity accounted investees		**541**	317	**-**	-
Dividends and distributions received		**1,567**	2,013	**2,439**	2,364
Payments for expenses directly atributable to business combination		**(485)**	-	**(485)**	-
Acquisition through business combination, net of cash acquired	31	**(423,832)**	-	**(423,832)**	-
Net cash from investing activities		**(517,966)**	31,863	**(1,102,738)**	33,825
Cash from financing activities					
New borrowings		**40,000**	64,080	**1,219,670**	64,080
Proceeds from residential backed securities issue		**782,485**	-	**-**	-
Repayment of borrowings		**(354,413)**	(127,392)	**(354,413)**	(332,819)
Payment to Noteholders		**(161,387)**	(198,958)	**-**	-
Net cash from financing activities		**306,685**	(262,270)	**865,257**	(268,739)
Net (decrease)/increase in cash and cash equivalents		**7,131**	(21,580)	**(23,775)**	(26,768)
Cash and cash equivalents at 1 July		**130,012**	151,592	**118,058**	144,826
Cash and cash equivalents at 30 June	7	**137,143**	130,012	**94,283**	118,058

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. CORPORATE INFORMATION

The financial report of Australian Central Credit Union Ltd (trading as People's Choice Credit Union) (the "Credit Union"), and its controlled entities (together referred to as the "Group") for the year ended 30 June 2015 was authorised for issue in accordance with a resolution by the Directors on 8 September 2015.

The Credit Union is a for-profit entity and domiciled in Australia.

The Group is primarily involved in the provision of loans to members and customers, 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.

The controlling entity in the Group is Australian Central Credit Union Ltd. The registered office and principal place of business is:

Australian Central Credit Union Ltd, (trading as "People's Choice Credit Union")
60 Light Square,
Adelaide, SA, Australia 5000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

a) Statement of compliance

The 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 financial reports of the Group and of the Credit Union comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board ("IASB").

b) Basis of measurement

The financial report has been prepared in accordance with the historical cost convention, except for derivative financial assets and liabilities and available-for-sale financial investments, are measured at their fair value. Loans and advances and financial liabilities are carried at amortised cost.

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

c) Functional and presentation currency

The financial report is presented in Australian dollars and all values have been rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the group under ASIC Class Order 98/100.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (continued)

d) Use of judgements and estimates

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.

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 2.3 b) and 9 Provision for impairment of loans and advances
- Note 12 Measurement of the recoverable amounts of cash generating units
- Note 30 Fair value of financial instruments
- Note 31 Business Combinations

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.

2.2 Basis of consolidation

Controlled entities

The Credit Union 'controls' a controlled entity if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the controlled entity. The financial statements of controlled entities are included in the consolidated financial statements from the date on which control commences until the date when control ceases.

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

Special purpose entities

The Group has established a number of special purpose entities ("SPEs") for the purpose of issuing of Residential Mortgage Backed Securities ("RMBS"). The SPE's are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of SPEs are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the Profit or Loss and Other Comprehensive Income ("OCI") of equity-accounted investees, until the date on which significant influence ceases.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation (continued)

Business Combinations

Business combinations are accounted for using the acquisition method as at the acquisition date on which control is transferred to the Group. The identifiable assets and liabilities of the acquiree are recognised at their fair value at acquisition date.

Goodwill is recognised if, and to the extent that, the consideration transferred exceeds the fair value of the acquiree's identifiable assets acquired and liabilities assumed.

Transaction costs that the Group incurs in connection with a business combination are expensed as incurred.

2.3 Financial assets and liabilities

a) Cash and cash equivalents

Cash and cash equivalents comprise notes and coins on hand and deposits at call with Approved Deposit-Taking Institutions ("ADIs") and are stated at their gross value of the outstanding balance. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statements of Cash Flows.

b) 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 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 Credit Union 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.

Impairment of loans and advances

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.

(i) 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.

(ii) 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

b) Loans and advances (continued)

(ii) Collective Provision (continued)

The evaluation process is subject to a series of estimates and judgements. In the risk rated exposure, the risk rating system, including the frequency of default and loss given default rates, loss history, and the size, structure and diversity of individual borrowers are considered. Current developments in portfolios (industry, geographic and term) are reviewed.

In the statistically managed retail exposures, the history of defaults and losses, and the size, structure and diversity of portfolios are considered.

In addition, management considers overall indicators of portfolio performance, quality and economic conditions. Changes in these estimates could have a direct impact on the level of provision determined.

The amount required to bring the collective provision to the level assessed is recognised in the Statements of Profit or Loss and Other Comprehensive Income as set out in Note 9.

(iii) General Reserve for Credit Losses

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

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.

c) 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

c) Financial instruments - non-derivative financial instruments (continued)

(i) Available-for-sale investment securities

Financial instruments held by the Group classified as being available-for-sale are non-derivative financial assets and are stated at fair value. Any resultant gain or loss is 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 or 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. 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. If the relevant market is not considered active (or the securities are unlisted), the Group establishes fair value by using recent arm's length transactions.

Financial instruments classified as available-for-sale investment securities are recognised/derecognised by the Group on the date it commits to purchase/sell the investments.

(ii) Liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged, 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.

(iii) Other

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

Investments in controlled entities are carried at cost.

d) 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 using an effective interest rate method.

e) Financial instruments - derivative financial instruments

The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from operational and financing activities. In accordance with Group Risk Appetite and Board policy, the Group does not hold or issue derivative financial instruments for trading purposes. 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 2.3 e) (i)).

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

e) Financial instruments - derivative financial instruments (continued)

The fair value of interest rate swaps is the present value of the future cash flows that the Group 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 29.

Sale of a security with a total return swap

The Group sells debt securities that are subject to a concurrent total return swap. In all cases, the Group retains substantially all of the risks and rewards of ownership resulting in the Group continuing to recognise the transferred securities in its Statements of Financial Position. The cash received is recognised as a financial asset and a corresponding liability is recognised.

The Group does not separately recognise the total return swap that prevents derecognition of the security as a derivative because doing so would result in recognising the same rights and obligations twice. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement.

(i) Hedging

On entering into a hedging relationship, the Group 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 Group 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.

(ii) 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 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 liability, then the associated gains or losses that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects the Statements of Profit or Loss and Other 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 Group. 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Financial assets and liabilities (continued)

f) Other receivables

Other assets include non-interest bearing receivables that are stated at cost less impairment losses (see Note 2.5).

g) Other payables

Other payables are non-interest bearing, are normally settled on thirty day terms and are stated at amortised cost.

2.4 Non-financial assets and liabilities

a) 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 the 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 Group 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 Group (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.

Owned assets

Property, plant and equipment

Property, plant and equipment is measured at cost, less any accumulated depreciation and impairment losses.

Depreciation

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Leasehold and freehold improvements	**5 – 10 years**
Furniture, equipment and technology	**2 – 13 1/3 years**

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

Leased assets

Leases of plant and equipment which the Group 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 Group's Statements of Financial Position. The Group does not currently hold any finance leases.

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Non-financial assets and liabilities (continued)

b) 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.

c) 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 12).

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.

(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.

(iv) Core deposit intangible

A core deposit intangible asset 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

Intangible assets are amortised over their expected useful lives. The amortisation rates used for each class of intangible asset in the current and comparative periods are as follows:

Acquired contractual rights	**5 years**
Software	**2 – 7 years**
Core deposit intangibles	**9 years**

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

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Non-financial assets and liabilities (continued)

c) Intangible assets (continued)

(vi) Impairment

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.

d) Provisions

Employee entitlements

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

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

(iii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(iv) Make good

A provision is made for the anticipated costs of restoring leased premises to their original condition at the end of the lease term in current dollar values. The provision is assessed at each balance date for expired leases.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Impairment

The carrying amount of the Group's assets, other than deferred tax assets (see Note 2.8) and loans and advances (see Note 2.3 b), 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 for signs of objective evidence indicating that impairment may have occurred. Where objective evidence of impairment exists the asset's recoverable amount is determined.

At each reporting date, the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with details in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. In general, the Group considers a decline of 20% to be 'significant' and a period of nine months to be 'prolonged'. However, in specific circumstances a smaller decline or a shorter period may be appropriate.

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 the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

The recoverable amount of a financial asset 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.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Impairment (continued)

(i) Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if a 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 no longer exist, and there has been a change in the estimate used to determine the recoverable amount.

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.

An impairment loss in respect of goodwill is not reversed.

2.6 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 Group 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 Group 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.

2.7 Revenue recognition

(i) Loan interest

Interest on loans and advances is recognised as it accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash flows 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 Group 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. All interest is recognised on an accruals basis.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Revenue recognition (continued)

(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) Fees and commissions

Revenue is recognised on an accruals 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.

2.8 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 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.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Tax consolidation

The Credit Union 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. This is applied 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.

Franking account

The Group has generated franking credits through paying income tax, including 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 Credit Union which does not currently permit dividend payments. The balance of the franking account is adjusted for franking credits that the Credit Union is currently prevented from distributing in the subsequent financial year.

Notes to the Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Goods and services tax (GST)

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 an asset or liability in the Statements 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.

2.10 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.

2.11 Securitisation

The Credit Union 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 Credit Union 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 SPEs during the year are disclosed in Note 23.

3. COMPLIANCE WITH IFRS

a) Recently issued or amended standards not yet effective

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2015, but have not been applied in preparing this financial report:

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application date of Standard	Application date for Group
AASB 15	Revenue	AASB 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.	The amendments are not expected to have a material impact on the Group however the potential impacts have not been fully assessed.	1 January 2017	1 July 2017
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets.	The amendments are not expected to have a material impact on the Group however the potential impacts have not been fully assessed.	1 January 2018	1 July 2018
A number of other AASB standards are also available for early adoption, but have not been applied by the Group in these financial statements. These relate to standards that have limited / no application to the Group.					

b) Recently adopted standards

The Group has adopted AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities for the first time for the year ended 30 June 2015.

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
4. REVENUE				
Interest income				
Cash and cash equivalents	**3,072**	3,450	**2,658**	3,189
Loans and advances	**298,563**	290,733	**298,556**	290,720
Available-for-sale investment securities	**21,177**	22,720	**20,975**	22,356
Interest rate derivatives	**-**	-	**5,057**	2,262
Other investments	**44**	44	**6,759**	1,931
Total interest income	**322,856**	316,947	**334,005**	320,458
Interest expense				
Deposits	**124,477**	122,757	**124,477**	122,757
Borrowings	**42,652**	46,656	**60,504**	57,077
Interest rate derivatives	**3,525**	4,513	**-**	-
Total interest expense	**170,654**	173,926	**184,981**	179,834
Net interest income	**152,202**	143,021	**149,024**	140,624
Other income				
Loan fee income	**4,602**	3,508	**4,602**	3,508
Transactional fee income	**12,458**	11,898	**12,458**	11,898
Insurance fees and commissions	**14,300**	13,620	**14,300**	13,620
Financial planning fees and commissions	**13,087**	12,114	**9,942**	9,073
Other fee income	**11,680**	11,864	**14,396**	13,909
Bad debts recovered	**1,313**	1,166	**1,313**	1,166
Dividends received	**1,567**	2,011	**2,439**	2,364
Mutual Aid income	**10,233**	10,314	**10,233**	10,314
Gain on sale of property, plant and equipment	**2**	5	**2**	5
Other income	**22**	29	**22**	29
Total other income	**69,264**	66,529	**69,707**	65,886
5. EXPENSES				
Salary and wages	**82,280**	81,644	**81,365**	80,667
Superannuation	**6,763**	6,697	**6,678**	6,597
Administrative expenses	**19,535**	17,789	**18,793**	17,144
Depreciation on property, plant and equipment	**7,375**	6,766	**7,375**	6,766
Amortisation on intangible computer software	**2,282**	2,025	**2,282**	2,025
Amortisation on acquired intangible assets	**572**	546	**572**	546
Marketing costs	**9,999**	10,751	**10,098**	10,859
Rental operating leases	**14,836**	12,764	**14,668**	12,580
Other occupancy expenses	**4,535**	4,641	**4,463**	4,528
Distribution channel costs	**19,054**	15,947	**19,054**	15,947
Information technology costs	**13,977**	11,727	**13,969**	11,723
Loss on sale of property, plant and equipment	**-**	12	**-**	12
Total other expenses	**181,208**	171,309	**179,317**	169,394

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
6. INCOME TAX				
Profit before tax	**36,563**	35,373	**34,981**	33,495
Tax at the tax rate of 30% (2014: 30%)	**10,969**	10,612	**10,494**	10,049
Adjust for tax effect of:				
Fully franked dividends received	**(459)**	(581)	**(621)**	(687)
Deferred tax on business combination	**294**	-	**294**	-
Sundry items	**32**	63	**32**	63
(Over)/under provision in prior years	**68**	(218)	**(90)**	(218)
Income tax expense	**10,904**	9,876	**10,109**	9,207
The components of tax expense comprise:				
Current tax	**11,737**	11,560	**11,018**	11,013
Deferred tax	**(833)**	(1,684)	**(909)**	(1,806)
	10,904	9,876	**10,109**	9,207
Income tax recognised in other comprehensive income				
Net gain on cash flow hedges	**(862)**	232	**(862)**	232
Net loss on available-for-sale investment securities	**3,030**	(176)	**3,030**	(176)
Net gain on equity accounting fair values	**-**	977	**-**	-
	2,168	1,033	**2,168**	56
Current tax payable	**(2,166)**	(5,575)	**(1,355)**	(5,029)
Deferred tax assets comprise:				
Amounts recognised in profit or loss				
Loans and advances impairment	**1,298**	1,098	**1,298**	1,098
Accrued superannuation	**196**	172	**194**	166
Unearned fee income	**3,635**	3,790	**3,635**	3,790
Depreciation	**2,560**	2,046	**2,560**	2,046
Provisions	**6,733**	6,233	**6,693**	6,181
Derivative liabilities at fair value through profit or loss	**32**	341	**1,955**	1,049
Intangible assets	**-**	10	**-**	10
Other items	**80**	59	**80**	59
	14,534	13,749	**16,415**	14,399
Amounts recognised directly in Equity				
Cash flow hedges	**1,661**	751	**1,661**	751
Total deferred tax assets	**16,195**	14,500	**18,076**	15,150
Deferred tax liabilities comprise:				
Amounts recognised in profit or loss				
Prepayments	**152**	195	**152**	195
Intangibles	**262**	326	**262**	326
Equity accounted associates	**190**	131	**-**	-
Derivative assets at fair value through profit or loss	**-**	-	**1,923**	709
	604	652	**2,337**	1,230
Amounts recognised directly in Equity				
Equity-accounted associates	**977**	977	**-**	-
Cash flow hedges	**48**	-	**48**	-
Fair value reserve - available-for-sale investment securities	**3,192**	163	**3,192**	163
Total deferred tax liabilities	**4,821**	1,792	**5,577**	1,393
Franking Account balance (tax provision basis)	**124,810**	108,745		

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
7. CASH AND CASH EQUIVALENTS				
Cash on hand and at bank	**30,969**	18,390	**30,969**	18,389
Deposits at call	**106,174**	111,622	**63,314**	99,669
	137,143	130,012	**94,283**	118,058
8. LOANS AND ADVANCES				
Revolving credit facilities	**380,003**	400,601	**380,003**	400,601
Term loans	**5,560,169**	4,630,502	**5,560,169**	4,630,502
Gross loans and advances	**5,940,172**	5,031,103	**5,940,172**	5,031,103
Provision for impairment (Note 9)	**(4,327)**	(3,660)	**(4,327)**	(3,660)
Loan origination and processing costs	**2,506**	2,033	**2,506**	2,033
Unearned income	**(4,782)**	(5,166)	**(4,782)**	(5,166)
Net loans and advances	**5,933,569**	5,024,310	**5,933,569**	5,024,310

The loan portfolio of the Group does not include any loans or groups of related loans which represent 10 % or more of capital (2014: $Nil).

	Consolidated		Credit Union	
9. IMPAIRMENT OF LOANS AND ADVANCES				
Specific provision:				
Balance at beginning of year	**1,502**	2,255	**1,502**	2,255
Acquisition through business combination	**144**	-	**144**	-
Decrease in provision	**(31)**	(753)	**(31)**	(753)
Balance at end of year	**1,615**	1,502	**1,615**	1,502
Collective provision:				
Balance at beginning of year	**2,158**	1,018	**2,158**	1,018
Acquisition through business combination	**364**	-	**364**	-
Increase in provision	**190**	1,140	**190**	1,140
Balance at end of year	**2,712**	2,158	**2,712**	2,158
Total provision for impairment	**4,327**	3,660	**4,327**	3,660
Charge to profit or loss comprises:				
Provision for loan impairment	**159**	387	**159**	387
Loans written off during the year as uncollectible	**4,560**	4,064	**4,560**	4,064
Total charge to profit or loss	**4,719**	4,451	**4,719**	4,451
Impaired Loans				
Gross impaired loans	**2,871**	4,381	**2,871**	4,381
Specific provision for impairment	**(1,615)**	(1,502)	**(1,615)**	(1,502)
	1,256	2,879	**1,256**	2,879
Restructured loans	**7,119**	5,367	**7,119**	5,367
Assets acquired through the enforcement of security	**4,193**	4,108	**4,193**	4,108

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
10. INVESTMENTS				
a) Available-for-sale investment securities				
Interest-bearing deposits	**11,393**	65,876	**3,704**	54,996
Negotiable certificates of deposit	**423,919**	460,049	**423,918**	460,049
Floating rate notes	**252,678**	97,176	**252,678**	97,176
Bonds	**-**	3,033	**-**	3,033
Shares in unlisted entities	**26,655**	10,787	**26,655**	10,787
Total available-for-sale investment securities	**714,645**	636,921	**706,955**	626,041
b) Other investments				
Capital notes	**-**	-	**615,914**	33,992
Other investments	**10,618**	1,809	**10,608**	1,809
Shares in controlled entities	**-**	-	**4,988**	4,988
Total other investments	**10,618**	1,809	**631,510**	40,789
Total Investments	**725,263**	638,730	**1,338,465**	666,830

c) Shares in controlled entities	Book value of shares/units held		% held by Holding Entity	
	2015	2014	**2015**	2014
	$	$	**%**	%
Australian Central Credit Union Ltd (trading as People's Choice Credit Union)				
Controlled entities				
Australian Central Services Pty Ltd	**-**	-	**100**	100
Financial Solutions Australasia Pty Ltd	**4,987,973**	4,987,973	**100**	100
Flinders Finance Pty Ltd [1]	**-**	-	**-**	100
Let's Talk Home Loans Group Pty Ltd [2]	**-**	1	**-**	100
People's Choice Community Foundation Limited	**-**	-	**100**	100
	4,987,973	4,987,974		

Special purpose entities

Light Trust No. 1
Light Trust No. 2
Light Trust No. 3
Light Trust No. 4
Light Trust No. 5R [3]
Light Trust Warehouse No. 1 [4]
Light Trust Warehouse No. 2 [5]

1 Flinders Finance Pty Ltd was officially deregistered on the 11 September 2014.

2 Ceased trading as at 31 December 2014. All capital has been returned to the Credit Union. Let's Talk Home Loans Group Pty Ltd was officially deregistered on the 7 June 2015.

3 Began trading on the 10 April 2015

4 Began trading on the 30 April 2015

5 Began trading on the 19 December 2014

Notes to the Financial Statements

11. PROPERTY, PLANT AND EQUIPMENT

Consolidated	Furniture and Equipment $'000	Leasehold and Freehold Improvements $'000	Technology $'000	Capital Works in Progress (WIP) $'000	Total $'000
At 1 July 2014, net of accumulated depreciation	**2,756**	**9,686**	**8,258**	**2,726**	**23,426**
Additions	**510**	**1,599**	**5,881**	**-**	**7,990**
Disposals	**-**	**-**	**-**	**-**	**-**
Net movement in WIP	**-**	**-**	**-**	**9,390**	**9,390**
Depreciation expense	**(1,096)**	**(2,995)**	**(3,284)**	**-**	**(7,375)**
Balance at 30 June 2015	**2,170**	**8,290**	**10,855**	**12,116**	**33,431**
At 30 June 2015					
Cost	**12,860**	**35,392**	**43,874**	**12,116**	**104,242**
Accumulated depreciation	**(10,690)**	**(27,102)**	**(33,019)**	**-**	**(70,811)**
Net carrying amount	**2,170**	**8,290**	**10,855**	**12,116**	**33,431**
At 1 July 2013, net of accumulated depreciation	3,029	10,242	5,997	2,393	21,661
Additions	796	2,795	4,619	-	8,210
Disposals	(7)	(4)	(1)	-	(12)
Net movement in WIP	-	-	-	333	333
Depreciation expense	(1,062)	(3,347)	(2,357)	-	(6,766)
Balance at 30 June 2014	2,756	9,686	8,258	2,726	23,426
At 30 June 2014					
Cost	12,719	34,945	38,662	2,726	89,052
Accumulated depreciation	(9,963)	(25,259)	(30,404)	-	(65,626)
Net carrying amount	2,756	9,686	8,258	2,726	23,426

Credit Union

	Furniture and Equipment $'000	Leasehold and Freehold Improvements $'000	Technology $'000	Capital Works in Progress (WIP) $'000	Total $'000
At 1 July 2014, net of accumulated depreciation	**2,756**	**9,686**	**8,258**	**2,726**	**23,426**
Additions	**510**	**1,599**	**5,881**	**-**	**7,990**
Disposals	**-**	**-**	**-**	**-**	**-**
Net movement in WIP	**-**	**-**	**-**	**9,390**	**9,390**
Depreciation expense	**(1,096)**	**(2,995)**	**(3,284)**	**-**	**(7,375)**
Balance at 30 June 2015	**2,170**	**8,290**	**10,856**	**12,116**	**33,431**
At 30 June 2015					
Cost	**12,157**	**35,385**	**43,635**	**12,116**	**103,293**
Accumulated depreciation	**(9,987)**	**(27,095)**	**(32,780)**	**-**	**(69,862)**
Net carrying amount	**2,170**	**8,290**	**10,855**	**12,116**	**33,431**
At 1 July 2013, net of accumulated depreciation	3,029	10,242	5,997	2,393	21,661
Additions	796	2,795	4,619	-	8,210
Disposals	(7)	(4)	(1)	-	(12)
Net movement in WIP	-	-	-	333	333
Depreciation expense	(1,062)	(3,347)	(2,357)	-	(6,766)
Balance at 30 June 2014	2,756	9,686	8,258	2,726	23,426
At 30 June 2014					
Cost	12,015	34,938	38,424	2,726	88,103
Accumulated depreciation	(9,259)	(25,252)	(30,166)	-	(64,677)
Net carrying amount	2,756	9,686	8,258	2,726	23,426

Notes to the Financial Statements

12. INTANGIBLE ASSETS

Consolidated	Goodwill $'000	Computer Software $'000	Core Deposit Intangible $'000	Acquired Contractual Rights $'000	Total $'000
At 1 July 2014, net of accumulated amortisation	**8,477**	**3,164**	**531**	**163**	**12,335**
Additions	**-**	**2,182**	**-**	**794**	**2,976**
Amortisation	**-**	**(2,282)**	**(352)**	**(219)**	**(2,853)**
Balance at 30 June 2015	**8,477**	**3,064**	**179**	**738**	**12,458**
At 30 June 2015					
Cost	**9,174**	**29,482**	**6,884**	**2,161**	**47,701**
Accumulated amortisation	**(697)**	**(26,418)**	**(6,705)**	**(1,423)**	**(35,243)**
Net carrying amount	**8,477**	**3,064**	**179**	**738**	**12,458**
At 1 July 2013, net of accumulated amortisation	8,477	4,924	1,022	218	14,641
Additions	-	265	-	-	265
Amortisation	-	(2,025)	(491)	(55)	(2,571)
Balance at 30 June 2014	8,477	3,164	531	163	12,335
At 30 June 2014					
Cost	9,174	27,300	6,884	9,178	52,536
Accumulated amortisation	(697)	(24,136)	(6,353)	(9,015)	(40,201)
Net carrying amount	8,477	3,164	531	163	12,335

Credit Union	Goodwill $'000	Computer Software $'000	Core Deposit Intangible $'000	Acquired Contractual Rights $'000	Total $'000
At 1 July 2014, net of accumulated amortisation	**142**	**3,164**	**531**	**163**	**4,000**
Additions	**-**	**2,182**	**-**	**794**	**2,976**
Amortisation	**-**	**(2,282)**	**(352)**	**(219)**	**(2,853)**
Balance at 30 June 2015	**142**	**3,064**	**179**	**738**	**4,123**
At 30 June 2015					
Cost	**202**	**29,482**	**6,884**	**2,161**	**38,729**
Accumulated amortisation	**(60)**	**(26,418)**	**(6,705)**	**(1,423)**	**(34,606)**
Net carrying amount	**142**	**3,064**	**179**	**738**	**4,123**
At 1 July 2013, net of accumulated amortisation	142	4,924	1,022	218	6,306
Additions	-	265	-	-	265
Amortisation	-	(2,025)	(491)	(55)	(2,571)
Balance at 30 June 2014	142	3,164	531	163	4,000
At 30 June 2014					
Cost	202	27,300	6,884	9,178	43,564
Accumulated amortisation	(60)	(24,136)	(6,353)	(9,015)	(39,564)
Net carrying amount	142	3,164	531	163	4,000

Notes to the Financial Statements

12. INTANGIBLE ASSETS (Continued)

Measurement of the recoverable amounts of cash generating units

Goodwill is allocated to the Group's Cash Generating Units ("CGUs") identified according to business segment.

A segment level summary of the goodwill allocation is:

	Consolidated	
	2015	2014
	$'000	$'000
Financial planning	**8,477**	8,477

The recoverable amount has been calculated in accordance with Note 2.5, with no impairment having been identified.

Key assumptions used in Value in Use

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 10% (equating to expected market growth), an overhead growth rate of 2.5% and a final terminal value calculation with no further growth rate

- A pre-tax discount rate of 13.124% was applied in determining the recoverable amounts for the CGUs. The discount rate was estimated based on the weighted average cost of debt and capital allocated by the Group to this CGU, 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

13. INVESTMENTS IN ASSOCIATES

The Group has an interest in Data Action Pty Ltd ("Data Action") and owns 24.67% of the equity interests and holds 25% of the voting rights.

The Group has determined that it exercises significant influence over Data Action and accordingly, effective 1 July 2013, the investment was classified as an associate and accounted for under the equity method. Prior to classification as an associate the investment was classified as an available-for-sale asset with changes in fair value, where able to be determined, accounted for through reserves.

The following table analyses, in aggregate, the carrying amount and share of profit and other comprehensive income of this associate:

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Carrying amount of investment in associates	**5,380**	5,184	**1,492**	1,492
Share of associate's opening balance sheet				
Current assets	**4,647**	3,992		
Non-current assets	**1,740**	1,830		
Current liabilities	**1,003**	898		
Non-current liabilities	**200**	176		
Share of net assets	**5,184**	4,748		
Share of associate's profit or loss				
Revenue	**8,544**	8,358		
Expenses	**7,548**	7,318		
Profit/(loss) before income tax	**996**	1,040		
Income tax expense	**258**	287		
Profit/(loss) after income tax	**738**	753		
Less: Dividend received	**541**	317		

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
14. OTHER ASSETS				
Accrued interest	**1,286**	946	**1,281**	936
Deferred borrowing costs	**1,102**	1,647	**1,102**	1,647
Prepayments	**2,879**	2,871	**2,871**	2,835
Other receivables	**25,142**	15,254	**25,063**	17,408
	30,409	20,718	**30,317**	22,826
15. DEPOSITS				
Retail deposits	**4,504,033**	3,983,737	**4,504,137**	3,984,382
Non-retail deposits	**480,820**	351,429	**480,820**	351,429
Withdrawable shares (issued and paid up at $2.00 per share)	**671**	669	**671**	669
	4,985,524	4,335,835	**4,985,628**	4,336,480

The deposit portfolio of the Group does not include any deposits or groups of related deposits which represent 10% or more of liabilities (2014: $Nil).

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
16. OTHER PAYABLES				
Accounts payable	**51,227**	39,263	**52,837**	43,202
Accrued interest payable	**16,111**	17,450	**17,606**	17,708
	67,338	56,713	**70,443**	60,910
17. BORROWINGS				
Wholesale funding facilities	**110,061**	401,854	**110,061**	401,854
Loans payable to securitisation trusts	**-**	-	**1,771,103**	591,433
Notes payable	**1,198,498**	577,399	**-**	-
	1,308,559	979,253	**1,881,164**	993,287
Wholesale funding facility utilisation				
Wholesale funding facilities - utilised	**110,061**	401,854	**110,061**	401,854
Wholesale funding facilities - unutilised	**10,129**	249,093	**10,129**	249,093
Wholesale funding approved limits	**120,190**	650,947	**120,190**	650,947
Securitisation warehouse funding facility utilisation				
Securitisation warehouse funding facilities - utilised	**771,861**	-	**771,861**	-
Securitisation warehouse funding facilities - unutilised	**108,139**	-	**108,139**	-
Securitisation warehouse funding approved limits	**880,000**	-	**880,000**	-
18. PROVISIONS				
Provision for make good	**2,136**	1,854	**2,136**	1,854
Provision for annual leave	**6,005**	6,094	**5,944**	6,009
Provision for long service leave	**11,664**	11,189	**11,592**	11,104
Provision for rostered days off	**176**	201	**175**	200
Provision for onerous contracts	**2,189**	-	**2,189**	-
	22,170	19,338	**22,036**	19,167

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
19. RESERVES				
Redeemed member shares	**678**	640	**678**	640
Fair value reserve - available-for-sale financial assets	**7,449**	379	**7,449**	379
General reserve for credit losses	**8,821**	7,151	**8,821**	7,151
Hedging reserve - cash flow hedges	**(3,763)**	(1,753)	**(3,763)**	(1,753)
Asset revaluation reserve	**6**	6	**-**	-
Other equity reserves	**171,745**	171,745	**171,745**	171,745
	184,936	178,168	**184,930**	178,162

Redeemed member shares

Nature and purpose:
Under the Corporations Act 2001 (s254K), 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 Credit Union therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Credit Union), from retained earnings to the redeemed preference share capital account. The value of members' shares for existing members is disclosed in Note 15.

	Consolidated 2015	Consolidated 2014	Credit Union 2015	Credit Union 2014
Opening balance 1 July	**640**	593	**640**	593
Transfers from retained earnings	**38**	47	**38**	47
Balance	**678**	640	**678**	640

Fair value reserve - available-for-sale financial assets

Nature and purpose:
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 Group.

	Consolidated 2015	Consolidated 2014	Credit Union 2015	Credit Union 2014
Opening balance 1 July	**379**	789	**379**	789
Net unrealised gains/(losses)	**7,070**	1,870	**7,070**	(410)
Equity-accounting fair value adjustment transfer to retained earnings	**-**	(2,280)	**-**	-
Balance	**7,449**	379	**7,449**	379

General reserve for credit losses

Nature and purpose:
APRA requires 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.

	Consolidated 2015	Consolidated 2014	Credit Union 2015	Credit Union 2014
Opening balance 1 July	**7,151**	6,988	**7,151**	6,988
Increase/(decrease) in general reserve for credit losses	**1,670**	163	**1,670**	163
Balance	**8,821**	7,151	**8,821**	7,151

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
19. RESERVES (Continued)				
Hedging reserve - cash flow hedges				
Nature and purpose: 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.				
Opening balance 1 July	**(1,753)**	(2,292)	**(1,753)**	(2,292)
Effective portion of changes in fair values	**377**	1,117	**377**	1,117
Net change in fair value taken to profit or loss	**(2,387)**	(578)	**(2,387)**	(578)
Balance	**(3,763)**	(1,753)	**(3,763)**	(1,753)
Asset revaluation reserve				
Nature and purpose: The asset revaluation reserve relates to property, plant and equipment, measured at fair value in accordance with applicable AASB's.				
Opening balance 1 July	**6**	153	**-**	147
Disposal of assets held-for-sale	**-**	(147)	**-**	(147)
Balance	**6**	6	**-**	-
Other equity reserves				
Nature and purpose: The other equity reserves represents the retained earnings of Savings & Loans Credit Union (S.A.) Limited recognised upon the merger with the Credit Union.				
Balance	**171,745**	171,745	**171,745**	171,745

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
20. NOTES TO THE STATEMENTS OF CASH FLOW				
Reconciliation of profit after income tax to net cash from operating activities				
Profit for the period	**25,659**	25,497	**24,872**	24,288
Adjustments for:				
Depreciation and amortisation	**10,229**	9,337	**10,229**	9,337
Increase in provision for impairment	**159**	387	**159**	387
Net change in fair value of financial assets/liabilities at fair value through profit or loss	**(286)**	(830)	**(286)**	(830)
Bad debts written off	**4,560**	4,064	**4,560**	4,064
Dividend income classified as investing cash flow	**(1,567)**	(2,330)	**(2,439)**	(2,364)
Net (profit)/loss on sale of property, plant & equipment	**(2)**	5	**(2)**	5
Share of profit of equity accounted investees	**(738)**	(753)	**-**	-
Business combination costs classified as cash flows from investing activities	**485**	-	**485**	-
Change in assets and liabilities:				
Net identifiable assets/liabilities acquired through business combination classified as investing activities	**442,392**	-	**442,392**	-
Increase in provisions	**2,832**	1,013	**2,869**	986
Increase/(decrease) in provision for income tax	**(3,409)**	5,474	**(3,674)**	5,324
Increase/(decrease) in deferred tax assets and liabilities	**1,334**	(652)	**1,258**	(1,750)
Decrease in interest payable	**(1,339)**	(10,159)	**(102)**	(11,338)
Increase/(decrease) in other payables	**11,964**	(15,149)	**9,635**	(14,641)
Increase in net loans and advances	**(913,977)**	(136,906)	**(913,977)**	(136,906)
Increase in deposits and withdrawable share capital	**649,689**	330,885	**649,148**	330,373
(Increase)/decrease in interest receivable	**(340)**	304	**(345)**	299
(Decrease)/increase in derivative assets/liabilities	**118**	(769)	**(3,930)**	2,937
Increase in other assets	**(9,351)**	(591)	**(7,146)**	(2,025)
Net cash from operating activities	**218,412**	208,827	**213,706**	208,146

Notes to the Financial Statements

21. COMMITMENTS

Capital expenditure commitments

At 30 June 2015, the Group has commitments of $16.239 million (2014: $6.200 million) predominantly relating to the integrated fit out works for the Group's new head office building in Flinders Street, Adelaide.

	Consolidated	
	2015	2014
Lease expenditure commitments	**$'000**	$'000
Non-cancellable operating leases:		
not later than 1 year	**18,242**	14,387
later than 1 and not later than 2 years	**15,996**	15,312
later than 2 and not later than 5 years	**44,300**	42,551
later than 5 years	**57,022**	58,621
Aggregate lease expenditure contracted for at 30 June	**135,560**	130,871

The Group leases motor vehicles, office (including the new head office building) and branch premises under non-cancellable operating leases expiring within one to thirteen years. The leases have varying terms, escalation clauses and renewal rights. On renewal the terms of the leases are renegotiated.

Credit commitments

The Group has the following credit commitments:

	Consolidated	
	2015	2014
	$'000	$'000
Loans approved not settled	**73,128**	150,123
Members unused credit facility	**460,347**	450,006
	533,475	600,129

22. CONTINGENT ASSETS AND LIABILITIES

	Consolidated	
Guarantees	**2015**	2014
	$'000	$'000
The Group has issued guarantees as follows:		
Guarantee issued for members	**1,913**	2,186

As the probability and value of guarantees may be called upon is unpredictable, it is not practical to state the timing of any payment.

CUFSS Limited

With effect from 1 July 1999, the Credit Union is a party to an Industry Support Contract (“ISC”) administered by CUFSS Limited (“CUFSS”). The ISC is certified by APRA under Section 11CB of the Banking Act 1959 (Cth) and is a voluntary financial support scheme whose members are Credit Unions, Mutual Banks and Cuscal Limited. CUFSS is a company limited by guarantee, each member’s guarantee being $100. As a member of CUFSS, the Credit Union:

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

Notes to the Financial Statements

23. SECURITISATION

In the ordinary course of business, the Group enters into transactions that result in the transfer of financial assets to third parties or special purpose entities (SPE's) on an arm's length basis. During the financial year two new securitisation warehouses were established for the purpose of providing ongoing funding and to replace existing warehouse facilities. A third SPE (Light Trust No.5R) was registered during the 2013/14 financial year however had not commenced trading as at 30 June 2014. This SPE became operational in April 2015 and represents an internal securitisation facility established for the purpose of providing contingent liquidity whereby collateral may be presented to the Reserve Bank of Australia for cash in extraordinary circumstances such as systemic liquidity issues.

The Credit Union transferred loans totalling $1,246.145 million (2014: $82.903 million) during the financial year as part of its ongoing funding program. The loan transfers were made to either warehouse funding facilities $85.733 million (2014: $82.903 million) and/or to SPE's $1,160.412 million (2014: $Nil). The total value of transferred loans as at 30 June 2015 was $1,881.164 million (2014: $996.427 million). The Group has not transferred substantially all of the risks and rewards associated with these loans and accordingly these loans are carried on the Group's balance sheet. The Group does invest in some of its own securitisation programs where the Credit Union holds notes equivalent to $615.914 million as at 30 June 2015 (2014: $33.992 million). Of this balance, $532.758 million relates to the Light Trust No.5R internal securitisation (2014: $Nil).

Refer to Note 28. Related Parties for more information on loan balances and net distributions to unitholders.

24. STANDBY BORROWING FACILITIES

	Credit Union	
	2015	2014
	$'000	$'000
The Credit Union has the following borrowing facilities:		
Overdraft facility		
Gross facility amount	**5,000**	5,000
Less: current borrowing	**-**	-
Net available	**5,000**	5,000

25. SIGNIFICANT ALLIANCES

The Credit Union has a significant alliance with the following suppliers of services:

Cuscal Limited

This company provides the Credit Union with the rights to, and the production of member's 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 Credit Union's computer systems.

Fiserv (aspac) Pte. Ltd

This company is a member of an international group which owns the core banking system software which the Credit Union operates.

Data Action Pty Ltd

This company operates a computer bureau which provides the Credit Union with a range of computing services.

Notes to the Financial Statements

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
26. AUDITOR'S REMUNERATION				
Amounts paid or payable to the external auditors - KPMG				
- Auditing the financial report	**283**	237	**216**	208
- Other regulatory activities	**48**	57	**46**	51
- Other assurance services	**82**	85	**82**	85
- Taxation services	**156**	134	**134**	134
- Other services	**144**	19	**144**	19
	713	532	**622**	497

27. KEY MANAGEMENT PERSONNEL

a) Directors

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

J.L. Cossons (Chair)	
W. R. Cossey AM	(Retired effective 30 October 2014)
P.H.T. Evers (Managing Director)	
Dr. R. H. S. Brooks	
S. M. Day	
E. T. McGuirk	
J. McMahon	
K. A. Skipper AM	
V. S. Hickey	(Appointed 30 October 2014)

b) Other key management personnel

The following persons, employed by the Credit Union, also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

D. Bateman	Executive General Manager Sales and Distribution
S. Cocks	Executive General Manager Risk (Appointed 2 February 2015)
D. Mattiske-Wood	Executive General Manager Organisational Development
A. Hamilton	Executive General Manager Marketing and Product Management
S. Laidlaw	Executive General Manager Corporate Services
L. Wilkinson	Executive General Manager Risk (Retired 5 September 2014)

Notes to the Financial Statements

27. KEY MANAGEMENT PERSONNEL (Continued)

c) Key management personnel compensation

Directors and other key management personnel compensation for the Group comprised:

	Short-term employee benefits	Post-employment benefits - superannuation	Other long term benefits	Termination benefits	Total
	$'000	$'000	$'000	$'000	$'000
2015	**3,730**	**209**	**140**	**120**	**4,199**
2014	3,153	199	99	-	3,451

d) Loans

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

	2015	2014
	$'000	$'000
Total aggregate loans as at the reporting date (30 June)	**3,835**	3,677
Total aggregate interest charged during the reporting period	**151**	172

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

The Directors and key management personnel who conducted loan accounts with the Credit Union during the year were W.R. Cossey AM, J.L. Cossons, P.H.T. Evers, S.M. Day, K.A. Skipper AM, V.S. Hickey, D. Bateman, S. Cocks and A. Hamilton.

Other transactions with key management personnel

Apart from the details under this disclosure, no Director or other key management personnel have entered into a material contract with the Credit Union or the Group 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 arms 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 were in the nature of normal personal banking.

As required to be a member of the Credit Union, each Director and key management personnel holds one $2 share.

Notes to the Financial Statements

28. RELATED PARTIES

Controlled entities

The Credit Union entered into transactions with its Controlled Entities. These transactions were all carried out under normal commercial terms and are eliminated in the financial reports. The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year.

	Aggregate amounts included in the accounts of the Credit Union Income/(expense)		Payable to the Credit Union/(receivable from Credit Union)		Deposits with the Credit Union	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Financial Solutions Australasia Pty Ltd	**221**	216	**4,185**	2,748	**-**	-
Australian Central Services Pty Ltd	**78**	105	**177**	140	**-**	-
People's Choice Community Foundation Limited	**(428)**	(476)	**10**	(3)	**104**	164
Let's Talk Home Loans Group Pty Ltd [1]	**-**	-	**-**	(147)	**-**	481

	Residual unitholder net distribution		Loan		Net Interest Rate Swap Expense	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Light Trust No. 1	**(492)**	(1,143)	**51,327**	68,247	**1,128**	1,605
Light Trust No. 2	**(176)**	(205)	**44,801**	57,869	**538**	752
Light Trust No. 3	**(793)**	(1,708)	**142,895**	189,608	**1,447**	2,151
Light Trust No. 4	**(1,417)**	(3,428)	**203,970**	275,708	**1,158**	2,268
Light Trust No. 5R [2]	**2,278**	-	**519,999**	-	**1,616**	-
Light Trust Warehouse No. 1 [3]	**(638)**	-	**374,378**	-	**207**	-
Light Trust Warehouse No. 2 [4]	**853**	-	**433,732**	-	**2,488**	-

1 Ceased trading as at 31 December 2014. All capital has been returned to the Credit Union. Let's Talk Home Loans Group Pty Ltd was officially deregistered on the 7 June 2015.

2 Began trading on the 10 April 2015

3 Began trading on the 30 April 2015

4 Began trading on the 19 December 2014

Equity accounted associates

Data Action Pty Ltd provides a range of services, which includes computing services, stationary and communication, and received $7.078 million (2015: $6.280 million) for services provided. Some of these services are discounted for shareholder customers.

Notes to the Financial Statements

29. RISK MANAGEMENT

a) Financial risk management objectives

The Group is exposed to a range of risks as part of its daily operations. These risks are managed using an enterprise wide approach in line with sound business practice, Australian risk management standards, prudential requirements and the Board's approved risk appetite, providing the Board with a comprehensive view of its risk profile.

As part of the risk management framework, a risk management strategy is maintained which includes policies and plans which detail the Group's approach to the management of risk exposures. The risk management strategy includes systems for the identification, analysis, evaluation, treatment, monitoring and reporting of risk, is subject to regular review and is responsive to the changing regulatory and operating environments.

The Board ensures a sound risk management culture is maintained and embedded in the Group's values and behaviours and the conduct of business. The material financial risks faced by the Group include liquidity risk, credit risk and market risk (incorporating interest rate risk).

b) 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 Group'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 Group 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 liquid assets which meet APRA's criteria for classification as eligible Minimum Liquidity Holdings ("MLH"), 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 ADIs 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 an MLH basis. APRA has approved the Credit Union to adopt a minimum MLH, whereby the Credit Union is required to maintain a minimum holding in specified eligible assets at all times.

The Credit Union's liquidity ratio as at the reporting date (30 June) is provided below:

	Credit Union	
	2015	2014
	%	%
Liquidity ratio	**12.14**	13.29

The Credit Union also maintains additional liquid assets which are not MLH eligible. After taking into consideration these assets the total liquidity of the Credit Union at 30 June 2015 is 12.24% (2014: 14.16%).

Contractual undiscounted cash flows

The following tables summarise the maturity profile of the Group's and the Credit Union's financial liabilities as at 30 June 2015 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice is given immediately. However, the Group and the Credit Union expect that many members will not request repayment on the earliest date the Group or the Credit Union could be required to pay and the tables do not reflect the cash flows indicated by the Group's or the Credit Union's deposit retention history. Derivatives designated are based on their contractual maturity. The amounts represent principal and interest cash flows and may differ when compared to the carrying amounts reported on the Statements of Financial Position.

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

b) Liquidity risk management (continued)

Consolidated Entity	Contractual cash flows						
	At call	3 Months or less	3 to 12 months	1 to 5 years	Greater than 5 years	Total	Carrying amount
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2015							
Financial Liabilities							
Deposits	**3,067,121**	**845,395**	**979,632**	**129,209**	**-**	**5,021,357**	**4,985,524**
Other payables	**-**	**67,338**	**-**	**-**	**-**	**67,338**	**67,338**
Borrowings	**-**	**112,750**	**87,075**	**345,123**	**1,639,814**	**2,184,762**	**1,308,559**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**1,238**	**3,120**	**1,374**	**-**	**5,732**	**5,484**
Total cash flows	**3,067,121**	**1,026,721**	**1,069,827**	**475,706**	**1,639,814**	**7,279,189**	**6,366,905**
2014							
Financial Liabilities							
Deposits	2,637,835	773,137	819,389	139,275	-	4,369,636	4,335,835
Other payables	-	56,713	-	-	-	56,713	56,713
Borrowings	-	35,819	471,280	178,608	805,837	1,491,544	979,253
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	835	2,146	879	-	3,860	3,642
Total cash flows	2,637,835	866,504	1,292,815	318,762	805,837	5,921,753	5,375,443
Credit Union							
2015							
Financial Liabilities							
Deposits	**3,067,121**	**845,499**	**979,632**	**129,209**	**-**	**5,021,461**	**4,985,628**
Other payables	**-**	**70,443**	**-**	**-**	**-**	**70,443**	**70,443**
Borrowings	**-**	**122,687**	**116,885**	**503,786**	**2,460,855**	**3,204,213**	**1,881,164**
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	**-**	**(216)**	**(524)**	**(2,529)**	**-**	**(3,269)**	**(925)**
Total cash flows	**3,067,121**	**1,038,413**	**1,095,993**	**630,466**	**2,460,855**	**8,292,848**	**6,936,310**
2014							
Financial Liabilities							
Deposits	2,638,480	773,137	819,389	139,275	-	4,370,281	4,336,480
Other payables	-	60,910	-	-	-	60,910	60,910
Borrowings	-	36,091	472,096	182,949	825,423	1,516,559	993,287
Derivative Financial Instruments							
Interest rate swaps (assets)/liabilities	-	418	1,063	(582)	-	899	1,280
Total cash flows	2,638,480	870,556	1,292,548	321,642	825,423	5,948,649	5,391,957

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

c) Credit risk management

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

The Group'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 Statements 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. 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 maximum exposure to credit risk at the reporting date (30 June) was:

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash and cash equivalents	**106,174**	111,622	**63,314**	99,669
Other assets	**30,409**	20,718	**30,317**	22,826
Available-for-sale investment securities	**687,990**	626,134	**680,300**	615,254
Derivative assets	**1,258**	1,578	**6,570**	2,362
Financial assets other than loans and advances	**825,831**	760,052	**780,501**	740,111
Loans and advances	**5,940,172**	5,031,103	**5,940,172**	5,031,103
Total Financial assets	**6,766,003**	5,791,155	**6,720,673**	5,771,214
Credit commitments	**533,475**	600,129	**533,475**	600,129
Total potential exposure to credit risk	**7,299,478**	6,391,284	**7,254,148**	6,371,343
Distribution of financial assets				
Neither past due nor impaired				
Financial assets other than loans and advances	**825,831**	760,052	**780,501**	740,111
Loans and advances	**5,733,737**	4,883,760	**5,733,737**	4,883,760
Past due but not impaired				
Loans and advances	**203,564**	142,962	**203,564**	142,962
Impaired				
Loans and advances	**2,871**	4,381	**2,871**	4,381
	6,766,003	5,791,155	**6,720,673**	5,771,214
Gross loans and advances which are past due but not impaired				
1 - 30 days	**142,356**	109,559	**142,356**	109,559
31 - 60 days	**27,757**	15,013	**27,757**	15,013
61 - 90 days	**16,222**	6,756	**16,222**	6,756
> 90 days	**17,229**	11,634	**17,229**	11,634
Total	**203,564**	142,962	**203,564**	142,962

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

c) Credit risk management (continued)

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Geographic concentration of credit risk for gross loans and advances				
South Australia	**3,945,316**	3,761,236	**3,945,316**	3,761,236
Northern Territory	**1,233,298**	560,853	**1,233,298**	560,853
Victoria	**394,498**	353,839	**394,498**	353,839
New South Wales	**137,474**	163,034	**137,474**	163,034
Western Australia	**98,668**	86,961	**98,668**	86,961
Queensland	**94,617**	79,047	**94,617**	79,047
Australian Capital Territory	**27,561**	18,901	**27,561**	18,901
Tasmania	**8,740**	7,232	**8,740**	7,232
	5,940,172	5,031,103	**5,940,172**	5,031,103

d) 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 Credit Union 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 Credit Union is maintained with the level and extent of the risks the Credit Union is exposed to from its activities. The Credit Union and the Group complied with all APRA capital adequacy requirements throughout the year.

The Group's capital adequacy ratio as at the end of the reporting date (30 June) and the comparative are as follows:

	Consolidated	
	2015	2014
	$'000	$'000
Capital Adequacy Ratio	**13.86%**	15.84%
Qualifying capital		
Tier 1	**436,576**	434,297
Tier 2	**8,821**	7,530
Total qualifying capital	**445,397**	441,827
Risk Weighted Assets	**3,213,555**	2,788,851

The reduction in the capital adequacy ratio during the year was a result of an increase in risk weighted assets following the acquisistion of the Territory Insurance Office ("TIO") Banking Operations, together with organic growth in loans and advances during the year. For further detail on the Group's capital adequacy please refer to our public disclosures under *APS 330 Public Disclosure* , which is located on the Credit Union's website under Regulatory Disclosures.

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

e) Market risk management

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

f) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the interest rate risk volatility of net interest income and market value of equity exposures. Positions are monitored regularly and approved hedging strategies are executed to ensure sensitivities and exposures are maintained within the established limits.

The sensitivity in the Statements of Profit or Loss and Other Comprehensive Income is the effect of assumed changes in interest rates on the net interest for one year, based on the floating rate financial assets and financial liabilities held at 30 June 2015, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing the fixed rate of loans and advances, available for sale financial assets (including the effect of any associated hedges), and interest rate swaps designated as cash flow hedges, at 30 June 2015 for the effects of the assumed changes in interest rates. The sensitivity of equity is analysed by maturity of the asset or interest rate swap, with sensitivity based on the assumption that there are parallel shifts in the yield curve.

Monitoring of adherence to policies, limits and procedures is controlled through the Management Asset and Liability Committee ("MALCO") and the Board Risk Committee.

The following table demonstrates the sensitivity to reasonably possible changes in interest rates, on the Group's income statement and in equity with all other variables held constant.

	Equity Sensitivity		**Net Revenue Sensitivity**	
	2015	2014	**2015**	2014
Consolidated	**%**	%	**$'000**	$'000
50 bp rise	**0.16**	0.37	**5,983**	5,468
50 bp fall	**(0.16)**	(0.37)	**(3,646)**	(3,746)
100 bp rise	**0.32**	0.73	**11,992**	10,982
100 bp fall	**(0.31)**	(0.75)	**(7,279)**	(7,485)

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

f) Interest rate risk (continued)

The Group's exposure to interest rate risk at balance date is shown in the following table and does not differ materially from that of the Credit Union.

Consolidated		**Fixed interest rate maturing:**				
	Floating interest rate	**<1 yrs**	**1-5 yrs**	**> 5 yrs**	**Non-interest bearing**	**Total**
2015	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial Assets						
Cash and cash equivalents	**118,576**	**-**	**-**	**-**	**18,567**	**137,143**
Loans and advances	**3,777,611**	**650,046**	**1,497,738**	**8,174**	**-**	**5,933,569**
Available-for-sale investment securities	**-**	**506,685**	**181,305**	**-**	**26,655**	**714,645**
Other investments	**10,618**	**-**	**-**	**-**	**-**	**10,618**
	3,906,805	**1,156,731**	**1,679,043**	**8,174**	**45,222**	**6,795,975**
Financial Liabilities						
Deposits	**3,246,246**	**1,613,179**	**125,428**	**-**	**671**	**4,985,524**
Borrowings	**-**	**1,308,559**	**-**	**-**	**-**	**1,308,559**
	3,246,246	**2,921,738**	**125,428**	**-**	**671**	**6,294,083**
Interest rate swaps - assets/(liabilities)	**657,000**	**(240,000)**	**(417,000)**	**-**	**-**	**-**
2014						
Financial Assets						
Cash and cash equivalents	111,622	-	-	-	18,390	130,012
Loans and advances	3,133,825	414,432	1,466,018	10,035	-	5,024,310
Available-for-sale investment securities	-	628,143	-	-	8,778	636,921
Other investments	1,809	-	-	-	-	1,809
	3,247,256	1,042,575	1,466,018	10,035	27,168	5,793,052
Financial Liabilities						
Deposits	2,635,981	1,566,818	132,367	-	669	4,335,835
Borrowings	-	979,253	-	-	-	979,253
	2,635,981	2,546,071	132,367	-	669	5,315,088
Interest rate swaps - Assets/(liabilities)	798,767	(183,544)	(594,126)	(21,097)	-	-

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

g) Interest rate swap contracts

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

	2015			2014		
		Fair Value			Fair Value	
	Notional amount	**Asset**	**Liability**	Notional amount	Asset	Liability
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Consolidated						
Derivatives at fair value through profit and loss						
Interest rate swaps	**133,143**	**1,097**	**(1,204)**	263,767	1,578	(2,715)
Derivatives held as cash flow hedges						
Interest rate swaps	**655,000**	**161**	**(5,538)**	535,000	-	(2,505)
	788,143	**1,258**	**(6,742)**	798,767	1,578	(5,220)
Credit Union						
Derivatives at fair value through profit and loss						
Interest rate swaps	**453,866**	**6,409**	**(107)**	185,779	2,362	(1,138)
Derivatives held as cash flow hedges						
Interest rate swaps	**655,000**	**161**	**(5,538)**	535,000	-	(2,504)
	1,108,866	**6,570**	**(5,645)**	720,779	2,362	(3,642)

Notes to the Financial Statements

29. RISK MANAGEMENT (Continued)

g) Interest rate swap contracts (continued)

The following table details the Group's net fair values and notional principal amounts at the remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Net Fair Value		Notional principal amount	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Less than 1 year	**(4,219)**	(2,857)	**282,414**	183,544
1 to 2 years	**(1,381)**	(769)	**300,467**	266,701
2 to 5 years	**113**	(16)	**197,234**	327,425
> 5 years	**3**	-	**8,028**	21,097
	(5,484)	(3,642)	**788,143**	798,767

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Group does not have a legally enforceable right to set-off any interest rate swap agreements.

Master netting arrangement – not currently enforceable

Agreements with derivative counterparties are based on the International Swaps and Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As neither the Group nor the Credit Union presently have a legally enforceable right of set-off, these amounts have not been offset in the Statements of Financial Position and accordingly derivative assets and derivative liabilities are shown on a gross basis in the Statements of Financial Position.

If under the ISDA Master Agreement there was a legally enforceable right of set-off, there would be a reduction in both the derivative asset and derivative liability of the Credit Union and the Group of $1.097 million as at 30 June 2015 ($1.578 million at 30 June 2014).

Notes to the Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

a) Fair value methodologies

Disclosed below is the estimated fair value of the Group's financial instruments presented in accordance with the requirements of Accounting Standard *AASB 7 "Financial Instruments: Disclosures".*

A financial instrument is defined by *AASB 132 "Financial Instruments: Presentation"* as any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial liability is a contractual obligation either to deliver cash or another financial asset to another entity, or, to exchange financial instruments with another entity under conditions that are potentially unfavourable.

The methodologies and assumptions used in measuring fair value depend on the terms and risk characteristics of the various instruments and include the following:

Cash and cash equivalents

Being cash on hand and at call deposits, the carrying amount is the net fair value.

Loans and advances

The net fair value of loans has been estimated using discounted cash flow analysis, based on current rates offered by the Group for loans with similar terms. The net fair value of impaired loans has been estimated as their carrying amount net of the aggregate provision for impairment.

Available-for-sale investment securities

Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Other investments

Other investments represent both capital notes and shares in unlisted companies. The fair value of capital notes is estimated using discounted cash flow analysis, based on current market rates for similar arrangements. With the exception of shares held in Cuscal Limited, the fair value and carrying value of unlisted shares is their original cost because their fair value cannot be reliably measured as no active market exists for these assets.

A parcel of Cuscal Limited shares was purchased during August 2015 at $1.25 per share. In acquiring the parcel of Cuscal Limited shares, a current identifiable price was able to be identified in an otherwise inactive market for such securities. As the shares purchased are identical in terms of rights and obligations to Cuscal Limited shares already held, this determined the fair value for the original shares held and hence a fair value upward adjustment was raised in equity in the year. There are no current intentions to dispose of these investments.

Derivative financial instruments

Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

Other assets

This includes items such as sundry debtors, which are short-term by nature and the carrying amount is therefore a reasonable estimate of fair value.

Deposits

The net fair value of deposits has been estimated using discounted cash flow analysis, based on current rates offered by the Group for deposits with similar terms.

Notes to the Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

a) Fair value methodologies (continued)

Other payables

Carrying amount approximates net fair value because of the short term of the settlement of the amounts due.

Borrowings

Estimated using discounted cash flow analysis, based on current market rates for similar arrangements.

The following table provides comparison of carrying amounts and net fair values for financial instruments:

	Carrying value		Fair value	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Consolidated				
Financial Assets				
Cash and cash equivalents	**137,143**	130,012	**137,143**	130,012
Loans and advances	**5,933,569**	5,024,310	**5,954,366**	5,040,371
Available-for-sale investment securities	**714,645**	636,921	**714,645**	636,921
Other investments	**10,618**	1,809	**10,618**	1,809
Derivative assets	**1,258**	1,578	**1,258**	1,578
Other assets	**30,409**	20,718	**30,409**	20,718
	6,827,642	5,815,348	**6,848,439**	5,831,409
Financial Liabilities				
Deposits	**4,985,524**	4,335,835	**4,986,219**	4,329,848
Other payables	**67,338**	56,713	**67,338**	56,713
Borrowings	**1,308,559**	979,253	**1,310,221**	984,189
Derivative liabilities	**6,742**	5,220	**6,742**	5,220
	6,368,163	5,377,021	**6,370,520**	5,375,970
Credit Union				
Financial Assets				
Cash and cash equivalents	**94,283**	118,058	**94,283**	118,058
Loans and advances	**5,933,569**	5,024,310	**5,954,366**	5,040,371
Available-for-sale investment securities	**706,955**	626,041	**706,955**	626,041
Other investments	**631,510**	40,789	**631,510**	40,789
Derivative assets	**6,570**	2,362	**6,570**	2,362
Other assets	**30,317**	22,826	**30,317**	22,826
	7,403,204	5,834,386	**7,424,001**	5,850,447
Financial Liabilities				
Deposits	**4,985,628**	4,336,480	**4,986,323**	4,330,493
Other payables	**70,443**	60,910	**70,443**	60,910
Borrowings	**1,881,164**	993,287	**1,883,549**	998,223
Derivative liabilities	**5,645**	3,642	**5,645**	3,642
	6,942,880	5,394,319	**6,945,960**	5,393,268

Notes to the Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

b) Fair value hierarchy

The following table sets out the fair value of financial instruments that are measured at fair value and analyses them by the level in the fair value hierarchy into which the fair value measurement is categorised:

- **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).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Consolidated Entity				
2015				
Financial Assets				
Financial assets available-for-sale	**-**	**714,645**	**-**	**714,645**
Derivative assets	**-**	**1,258**	**-**	**1,258**
	-	**715,903**	**-**	**715,903**
Financial Liabilities				
Derivative financial liabilities	**-**	**(6,742)**	**-**	**(6,742)**
	-	**(6,742)**	**-**	**(6,742)**
2014				
Financial Assets				
Financial assets available-for-sale	-	636,921	-	636,921
Derivative assets	-	1,578	-	1,578
	-	638,499	-	638,499
Financial Liabilities				
Derivative financial liabilities	-	(5,220)	-	(5,220)
	-	(5,220)	-	(5,220)
Credit Union				
2015				
Financial Assets				
Financial assets available-for-sale	**-**	**706,955**	**-**	**706,955**
Derivative assets	**-**	**6,570**	**-**	**6,570**
	-	**713,525**	**-**	**713,525**
Financial Liabilities				
Derivative financial liabilities	**-**	**(5,645)**	**-**	**(5,645)**
	-	**(5,645)**	**-**	**(5,645)**
2014				
Financial Assets				
Financial assets available-for-sale	-	626,041	-	626,041
Derivative assets	-	2,362	-	2,362
	-	628,403	-	628,403
Financial Liabilities				
Derivative financial liabilities	-	(3,642)	-	(3,642)
	-	(3,642)	-	(3,642)

Notes to the Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

c) Financial instruments not measured at fair value

The following table sets out the fair value of financial instruments that are not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair values $'000	Carrying amount $'000
Consolidated Entity					
2015					
Financial Assets					
Cash and cash equivalents	**-**	**-**	**-**	**137,143**	**137,143**
Loans and advances	**-**	**-**	**5,954,366**	**5,954,366**	**5,933,569**
Other investments	**-**	**10,618**	**-**	**10,618**	**10,618**
Other assets	**-**	**-**	**-**	**30,409**	**30,409**
	-	**10,618**	**5,954,366**	**6,132,536**	**6,111,739**
Financial Liabilities					
Deposits	**-**	**-**	**4,986,219**	**4,986,219**	**4,985,524**
Borrowings	**-**	**-**	**1,310,221**	**1,310,221**	**1,308,559**
Other payables	**-**	**-**	**-**	**67,338**	**67,378**
	-	**-**	**6,296,440**	**6,363,778**	**6,361,461**
2014					
Financial Assets					
Cash and cash equivalents	-	-	-	130,012	130,012
Loans and advances	-	-	5,040,371	5,040,371	5,024,310
Other investments	-	1,809	-	1,809	1,809
Other assets	-	-	-	20,718	20,718
	-	1,809	5,040,371	5,192,910	5,176,849
Financial Liabilities					
Deposits	-	-	4,329,848	4,329,848	4,335,835
Borrowings	-	-	984,189	984,189	979,253
Other payables	-	-	-	56,713	56,713
	-	-	5,314,037	5,370,750	5,371,801

Fair value hierarchy levels have not been disclosed for some financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

Notes to the Financial Statements

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

c) Financial instruments not measured at fair value (continued)

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total fair values $'000	Carrying amount $'000
Credit Union					
2015					
Financial Assets					
Cash and cash equivalents	-	-	-	94,283	94,283
Loans and advances	-	-	5,954,366	5,954,366	5,933,569
Other investments	-	631,510	-	631,510	631,510
Other assets	-	-	-	30,317	30,317
	-	631,510	5,954,366	6,710,476	6,689,679
Financial Liabilities					
Deposits	-	-	4,986,323	4,986,323	4,985,628
Borrowings	-	-	1,883,549	1,883,549	1,881,164
Other payables	-	-	-	72,633	72,633
	-	-	6,869,872	6,942,505	6,939,425
2014					
Financial Assets					
Cash and cash equivalents	-	-	-	118,058	118,058
Loans and advances	-	-	5,040,371	5,040,371	5,024,310
Other investments	-	40,789	-	40,789	40,789
Other assets	-	-	-	2,362	2,362
	-	40,789	5,040,371	5,201,580	5,185,519
Financial Liabilities					
Deposits	-	-	4,330,493	4,330,493	4,336,480
Borrowings	-	-	998,223	998,223	993,287
Other payables	-	-	-	60,910	60,910
	-	-	5,328,716	5,328,716	5,329,767

Fair value hierarchy levels have not been disclosed for some financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair values.

Notes to the Financial Statements

31. BUSINESS COMBINATIONS

a) Territory Insurance Office ("TIO") Banking Operations

On 1 January 2015, Australian Central Credit Union Ltd purchased the banking operations of TIO following a competitive tender process conducted by the Northern Territory Government. The purchase has been treated as a Business Combination under *AASB 3 Business Combinations* .

From the date of acquisition (1 January 2015), it is estimated that the TIO banking operations has contributed $4.1 million to the net interest income, $2.0 million to the non-interest income and $2.2 million to the net profit after tax of the Group for the six months to 30 June 2015. Integration costs have been excluded from this result.

b) Identifiable assets and liabilities assumed

The effective fair value of identifiable assets acquired and liabilities assumed were:

	1 January 2015 Recognised Values $'000
Consideration	
Cash	445,032
Fair Value of Net Assets Acquired	
Assets	
Cash and cash equivalents	21,200
Loans and advances	615,992
Available for sale investment securities	3,265
Intangible assets	794
Other assets	2,508
Total Assets	643,759
Liabilities	
Deposits	164,246
Other payables	11,534
Borrowings	22,619
Provisions	328
Total Liabilities	198,727
Fair value of identifiable net assets	445,032

c) Contingent liabilities

No contingent liabilities have been recognised as at acquisition date.

32. SUPERANNUATION COMMITMENTS

The Group has established a superannuation fund for employees of the Group, 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 fund is by way of employer and employee contributions. The obligation to contribute to the fund is to ensure compliance with the superannuation guarantee charge.

Notes to the Financial Statements

33. EVENTS SUBSEQUENT TO REPORTING DATE

On 6 August 2015, the Managing Director, Mr Peter Evers announced his retirement from the Board effective 25 September 2015. From this date, Ms Darlene Mattiske-Wood, Executive General Manager Organisational Development, will be Acting Chief Executive while the search process to appoint a new Chief Executive is undertaken.

Other than the retirement of the Managing Director, there has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Credit Union, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Registered Office

Australian Central Credit Union Ltd
ABN 11 087 651 125

AFSL/ACL 244310

60 Light Square
Adelaide SA 5000

Telephone

13 11 82

Website

www.peopleschoicecu.com.au

Email

general@peopleschoicecu.com.au

Annual General Meeting

Thursday, 29 October 2015
Commencing 11.00am, Central Daylight Saving Time
The Playford Hotel, 120 North Terrace, Adelaide

Bankers

Cuscal Ltd
National Australia Bank Limited
Westpac Banking Corporation

Auditors

KPMG

Tax Agent

KPMG

Solicitors

Clayton Utz
Crawford Legal
DMAW Lawyers
Finlaysons
Fisher Jeffries
Holley Nethercote
Hunt & Hunt
HWL Ebsworth
KJK Legal
Laity Morrow
Piper Alderman