Goulburn Murray Credit Union

customer owned banking

CELEBRATING 60 YEARS 1955-2015

SHEPPARTON CREDIT UNION

SEYMOUR CREDIT UNION

NUMURKAH CREDIT UNION

KYABRAM CREDIT UNION

RICH RIVER CREDIT UNION

NORTH EAST CREDIT UNION

Goulburn Murray Credit Union Co-operative Ltd ABN 87 087 651 509

2015 Annual Report

Board of Directors

John Lyle
CHAIR

Fiona Merrylees
DEPUTY CHAIR

Robert Morris
AUDIT CHAIR

Frank Mandaradoni

John Guilmartin

Geoffrey Cobbledick
RISK CHAIR

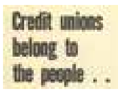
Fredrick West

René Deen
GENERAL MANAGER/
SECRETARY


Credit Union gives community strength


DISTRICT INDUSTRIES REAP CREDIT UNION BENEFITS


CREDIT UNION FUNDS SOAR


Credit unions belong to the people . .

Chairman's Report

Fellow members, it is again my pleasure to present the Chairman's report on behalf of the Board of Directors.

The credit union has again achieved a solid financial result during what could be described as continuing challenging economic times in our region in particular, but nationwide as well. The financial statements reveal the following achievements :-

- An increase in assets of $24.183 million (8.60%)
- A reduction in loans and advances to members of $641,908 (0.27%)
- An increase in deposits of $21.998 million (9.08%)
- An operating profit after tax of $2.087 million (2013/14 $2.122 million)

These results were recorded in a period of stable and historically low interest rates, continuing low levels of economic growth, and continuing uncertainty in the future of a number of industries in our region. While the previous year's results reflected the contraction of non-interest income, this year's results reflect the efforts of our people in increasing non-interest income, particularly insurance commission derived from a much improved product offering from our new partner Allianz.

Interest margins continue to be squeezed. The impact of depositors moving funds to higher interest bearing accounts, coupled with continuing low interest rates on loans is evident in our results. On the positive side we continue to see an interest rate margin which is still solid in terms of industry comparison. A more aggressive approach to investing surplus liquidity has also assisted in maintaining a solid interest rate margin.

While no significant movement in interest rates is expected in the near term, we are continually reviewing costs and the structure of our business model to ensure we are able to post profits at a level which is adequate to maintain a solid capital position in the coming years.

In previous reports we have displayed strong capital levels – this year is no different with a capital adequacy ratio in excess of 23%. Our strategy is to hold high levels of capital to provide an ability to manage tough times, and to invest in our future.

Corporate governance is a major focus of the board. Our strategic plan has recently been revisited, with a number of new initiatives planned for the next three years. The plan is constantly reviewed by the board, and as our environment changes, revisions are made to the plan to reflect different needs and directions. We see the plan as being robust and flexible, and it will guide us into the future with a clear direction.

Risk management has been an area in which considerable time has been invested. A strong risk management framework has been developed, with a risk committee appointed as required under prudential regulation. This committee along with the audit committee, has provided strong risk management and will continue to do so. Reporting has been enhanced and provides a focus on the many important areas in which risks are identified and managed.

As in previous years our management group and staff continue to contribute significantly to the credit union's success. Legislative changes, product enhancements, and banking system software changes continue to influence many activities and provide many challenges to staff. These are met with enthusiasm with both members and the credit union benefitting.

The achievements for the year could not have been recorded without the efforts of our senior management and staff. We have many dedicated people serving our organisation and I pass on the board’s gratitude for their efforts and excellent service. The results achieved, and the esteem with which the credit union is held in our region is a credit to you all.

While this year has seen continued minimal growth, the board is satisfied with the results achieved. We see the coming year as another challenge with similar economic conditions. In a climate such as this, continued support from our membership is crucial. The credit union is a respected community citizen, supporting the communities in which we live. To continue this support we need to maintain, and increase our membership, and increase member uptake of products available. This will provide the base to continue our solid performance.

John Lyle

Chair

Directors' report

The Directors present their report together with the financial statements of Goulburn Murray Credit Union Co-operative Limited (the "Company") for the year ended 30 June 2015 and the auditor's report thereon.

Directors

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

John B Lyle B Bus FCA
Board Chair
Occupation: Consultant
Director since: 1992

John W Guilmartin
Occupation: Finance Manager
Director since: 1994

Frank Mandaradoni CPA
Occupation: Accountant
Director since: 1996

Robert Morris CPA
Chair – Audit Committee
Occupation: Accountant
Director since: 2007

Geoff Cobbledick FCPA
Chair - Risk Committee
Occupation: Accountant
Director since: 2008

Frederick J West
Occupation: Self-employed
Director since: 1980

Fiona Merrylees BA.LL.B
Deputy Board Chair
Occupation: Solicitor
Director since: 2005

All Directors are considered to be independent, non-executive Directors.

Directors' meetings

The number of meetings of Directors (including meetings of committees) held during the year and the number of meetings attended by each Director were as follows:

Director	Board of Directors' Meetings		Audit		Nominations		Salary & Structure		Risk	
	A	B	A	B	A	B	A	B	A	B
J Lyle	12	11	12	11	2	1	1	1	7	7
J Guilmartin	12	10	12	8	2	2	-	-	-	-
F Mandaradoni	12	12	12	11	2	2	-	-	-	-
R Morris	12	9	12	11	2	2	-	-	7	6
F West	12	9	-	-	-	-	1	1	7	6
F Merrylees	12	12	5	5	-	-	1	1	7	6
G Cobbledick	12	11	12	12	-	-	1	1	7	7

A – reflects the number of meetings the Director was eligible to attend during the year
B – number of meetings attended

Directors' report (continued)

Company secretary

Mr René Deen, the Company's General Manager, was appointed to the position of Company Secretary on 1 June 2002 and continues to act in this capacity as at and post the end of the financial year.

Mr Peter Thomas, the Company's Operations Manager, and Mrs Rebecca Hearn, the Company's Finance Manager, were appointed to the positions of alternate Company Secretaries on 20 June 2002, and continue to act in this capacity as at and post the end of the financial year

Principal activities

The principal activity of the Company is to raise funds from the Company's members for the purpose of making loans to members. No significant change in the nature of the activity has occurred during the year.

Operating & Financial Review

The profit for the financial year before income tax was $2,954,186 (2014: $3,003,602). Income tax was $866,984 (2014: $880,805) Profit after tax for 2015 was $2,087,202 (2014: $2,122,797).

Review of operations

Net loans for the year have decreased by $641,908 to $229,516,975.
Member deposits increased during the year by $21,998,444 to $264,259,758.
Members' equity during the year has increased by $2,087,202 to $36,726,138.

State of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company during the financial year under review.

Dividends

The Company does not have permanent share capital and has therefore not paid or declared any dividends for the financial year.

Events subsequent to balance date

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

Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Company.

Directors' report (continued)

Directors' benefits

During or since the end of the financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration paid or payable to the Directors as shown in the general purpose financial statements) by reason of a contract entered into by the Company with:

- a Director,
- a firm of which a Director is a member, or
- an entity in which a Director has a substantial financial interest

except for those outlined in Note 24 to the financial statements.

Likely developments

No material likely developments are foreseen at this time that may affect the Company's operations.

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

Indemnification and insurance of Officers and auditors

The Company has not given any indemnities to Directors, Officers or Auditors.

The Company has arranged Directors' and Officers' Liability insurance coverage, against legal costs imposed on Directors and Officers, in a manner that complies with the *Corporations Act 2001.*

Statement of Compliance

A Statement of Compliance with International Financial Reporting Standards ('IFRS') has been included in Note 1(a) to the financial statements.

Public Prudential Disclosure

In accordance with the APS330 Public Disclosure requirements, the Credit Union is to publicly disclose certain information in respect of:

- Details on the composition and features of capital and risk weighted assets; and
- Both qualitative disclosure and quantitative disclosures for Senior Managers and material risk-takers.

These disclosures can be viewed on the Credit Union's website:
http://www.gmcu.com.au/about-us/public-disclosure.html

Lead auditor's independence declaration

The Lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 7 of the financial report.

Dated at Shepparton this 30th day of September 2015.

Signed in accordance with a resolution of the Directors.

J B Lyle – Chair

F Merrylees – Deputy Chair

Crowe Horwath Albury
ABN 16 673 023 918
Member Crowe Horwath International

Audit and Assurance Services

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Albury NSW 2640 Australia

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Albury NSW 2640 Australia

Tel 02 6021 1111
Fax 02 6041 1892
www.crowehorwath.com.au

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

To: the Directors of Goulburn Murray Credit Union Co-operative Limited

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:

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

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

Crowe Horwath Albury

CROWE HORWATH ALBURY

ALISON FLAKEMORE
Partner

Hobart, 30th September 2015

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Note	2015 $	2014 $
Interest revenue	2	14,291,545	14,494,954
Interest expense	2	(5,931,684)	(6,458,861)
Net interest income		8,359,861	8,036,093
Non-interest revenue	3	2,499,887	2,657,710
General and administration	3	(6,453,998)	(6,329,571)
Impairment charge	11	(89,597)	(99,823)
Occupancy expenses		(375,119)	(389,332)
Depreciation and amortisation expense	3	(320,890)	(318,713)
Fees and commission expense		(665,958)	(552,762)
Profit before tax		2,954,186	3,003,602
Income tax expense	5	(866,984)	(880,805)
Profit after tax		2,087,202	2,122,797
Other comprehensive income			
Net gain/(loss) on revaluation of property, plant and equipment		-	-
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		2,087,202	2,122,797

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes set out on pages 12 to 61.

Statement of Changes in Equity

Year ended 30 June 2015

	Retained Profits $	Member Share Redemption Reserve $	Lending Risk Reserve $	Asset Revaluation Reserve $	Total $
Opening balance at 1 July 2013	30,794,723	73,809	651,313	996,294	32,516,139
Profit after tax	2,122,797	-	-	-	2,122,797
Other comprehensive income for the period	-	-	-	-	-
Total recognised income and expense for the period	2,122,797	-	-	-	2,122,797
Transfer to/(from) lending risk reserve	(33,555)	-	33,555	-	-
Transfer to member share redemption reserve	(3,750)	3,750	-	-	-
Closing balance at 30 June 2014	32,880,215	77,559	684,868	996,294	34,638,936
Year ended 30 June 2015					
Opening balance at 1 July 2014	32,880,215	77,559	684,868	996,294	34,638,936
Profit after tax	2,087,202	-	-	-	2,087,202
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income and expense for the period	2,087,202	-	-	-	2,087,202
Transfer to/(from) lending risk reserve	(63,656)	-	63,656	-	-
Transfer to member share redemption reserve	(2,692)	2,692	-	-	-
Closing balance at 30 June 2015	34,901,069	80,251	748,524	996,294	36,726,138

The statement of changes in equity is to be read in conjunction with the accompanying notes set out on pages12 to 61.

Statement of Financial Position

As at 30 June 2015

	Note	2015 $	2014 $
ASSETS			
Cash and cash equivalents	7	35,117,964	42,422,906
Receivables due from other financial institutions	8	33,813,489	1,968,069
Receivables	9	440,192	214,100
Loans and advances	10	229,516,975	230,158,883
Other financial assets	12	437,048	437,048
Investment property	15	582,000	582,000
Property, plant and equipment	14	4,789,223	4,596,869
Deferred tax asset	6	273,574	248,368
Intangible assets	13	167,348	222,543
Other assets	16	251,425	388,481
TOTAL ASSETS		305,389,238	281,205,267
LIABILITIES			
Deposits	17	264,259,758	242,261,314
Payables	18	3,345,225	3,342,122
Employee benefits	19	770,049	698,165
Current tax payable	6	238,801	209,987
Deferred tax liability	6	49,267	54,743
TOTAL LIABILITIES		268,663,100	246,566,331
NET ASSETS		36,726,138	34,638,936
EQUITY			
Reserves		1,825,069	1,758,721
Retained profits		34,901,069	32,880,215
TOTAL EQUITY		36,726,138	34,638,936

The statement of financial position is to be read in conjunction with the accompanying notes set out on pages 12 to 61.

Statement of cash flows

For the year ended 30 June 2015

	Note	2015 $	2014 $
Cash flows from operating activities			
Interest received		14,065,459	14,441,845
Interest paid		(6,016,844)	(7,403,289)
Cash paid to suppliers and employees		(7,325,254)	(6,065,600)
Receipts from other services		2,636,942	2,481,081
Income tax paid		(838,170)	(798,854)
		2,522,133	2,655,183
Net movement in loans		552,311	(10,113,818)
Net movement in deposits and short-term borrowings		21,998,444	(653,742)
Net cash from operating activities	20	25,072,888	(8,112,377)
Cash flows from investing activities			
Proceeds from sale of other financial assets		-	18,682
Net movement in receivables due from other financial institutions		(31,845,420)	10,826,393
Payments for property, plant and equipment		(578,054)	(335,783)
Payments for intangible assets		(21,492)	(140,888)
Proceeds from sale of property, plant and equipment		67,136	67,273
Net cash from/(used in) investing activities		(32,377,830)	10,435,677
Net increase/(decrease) in cash and cash equivalents		(7,304,942)	2,323,300
Cash and cash equivalents at 1 July		42,422,906	40,099,606
Cash and cash equivalents at 30 June	7	35,117,964	42,422,906

The statement of cash flows is to be read in conjunction with the accompanying notes set out on pages 12 to 61.

Notes to the Financial Statements

For the year ended 30 June 2015

1. SIGNIFICANT ACCOUNTING POLICIES

Goulburn Murray Credit Union Co-operative Limited (the "Company") is a company domiciled in Australia.

The financial statements were authorised for issuance by the Directors on 23rd September 2015.

(a) Statement of compliance

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

Not-for-profit status
Under AIFRS, there are requirements that apply specifically to not-for-profit entities that are not consistent with International Financial Reporting Standards (IFRS) requirements. The Company has analysed its purpose, objectives and operating philosophy and determined that it does not have profit generation as a prime objective. Consequently where appropriate the Company has elected to apply options and exemptions within AIFRS that are applicable to not-for-profit entities.

(b) Basis of preparation

The financial statements are presented in Australian dollars.

The financial statements have been prepared on the basis of historical costs except that the following assets and liabilities (if applicable) are stated at their fair value: land and buildings, derivative financial instruments, financial instruments classified as available-for-sale and investment property.

Determination of fair values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment and investment property
The fair value of land and buildings and investment property are based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Company's land and buildings and investment property.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

The preparation of financial statements are in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in Note 1 (r).

The accounting policies set out below have been applied consistently to all periods presented in the financial statements by the Company.

(c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash balances with less than three months remaining to maturity and includes cash and balances with Cuscal Limited and other Authorised Deposit-taking Institutions (including banks) including the minimum reserve requirements that the Company is obligated to place for liquidity purposes.

(d) Receivables due from other financial institutions

Receivables due from other financial institutions are held-to-maturity investments which the Company has a positive intention and ability to hold to maturity. The accrual for interest receivable is calculated on a proportional basis and the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

(e) Income tax

Income tax on the statement of profit or loss and comprehensive income for the periods presented comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Income tax (continued)

Deferred tax is provided using the balance liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax 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 substantively enacted at the balance date.

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

(f) Loans and advances

Loans and advances are stated at their amortised cost less impairment losses (see Note 1(g)).

All loans and advances are reviewed and graded according to the anticipated level of credit risk. The classification adopted is described below:

Non-accrual loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence impairment losses are recognised.

Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms, and the revised terms are not comparable to new facilities. Loans with revised terms are included in non-accrual loans when impairment provisions are required.

Assets acquired through the enforcement of security - are assets acquired in full or partial settlement of a loan or similar facility through the enforcement of security arrangements.

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected. If a provision for impairment is required, the loan is included in non-accrual loans.

(g) Impairment

The carrying amounts of the Company's assets, other than deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised as an expense in the statement of comprehensive income 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 through the statement of profit or loss and comprehensive income.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment (continued)

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

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is 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.

Calculation of recoverable amount

The recoverable amount of the Company's investments in held to maturity securities and receivables carried at amortised cost 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 duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Reversals of impairment

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

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 amount of the reversal recognised in the statement of profit or loss and comprehensive income.

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.

(h) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at fair value or at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 1(g)).

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

When the construction or development of a self-constructed investment property is completed and will be carried at fair value, any difference between the fair value of the property at the date and its previous carrying amount is recognised in profit and loss.

Where parts of an item property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leased assets
Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. The owner-occupied property acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy 1(g)). The property held under finance leases and leased out under operating lease is classified as investment property and stated at the fair value model. Lease payments are accounted for as described in accounting policy 1(l). Property held under operating leases that would otherwise meet the definition of investment property may be classified as investment property on a property-by-property basis.

Subsequent assets
The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and comprehensive income as an expense as incurred.

Depreciation
Depreciation is charged to the statement of profit or loss and comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

• Buildings	40 years
• Furniture & fittings	5 to 15 years
• Leasehold improvements	The lease term
• Motor vehicles	5 to 15 years
• Office equipment	3 to 15 years

The residual value, if not insignificant, is reassessed annually.

(i) Intangible assets

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

Computer software is amortised over the expected useful life of the software. The estimated useful lives in the current and comparative periods are as follows:

• Computer software	4 years

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Investment properties

Investment properties are those which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Fair value is assessed annually.

Rental income from investment property is accounted for as described in accounting policy (n).

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity if it is a gain. Upon disposal of the item the gain is transferred to retained earnings. Any loss arising in this manner is recognised immediately in the statement of profit or loss and comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, fixtures and fittings and its fair value at the date of reclassification becomes its cost for accounting purposes for subsequent recording.

(k) Business combinations

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

(l) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Trade and other payables

Trade and other payables are stated at their amortised cost.

Trade payables are non-interest bearing and are normally settled on 30 day terms.

(n) Revenue recognition

Revenue is recognised to the extent that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Loan interest
Loan interest is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Non accrual loan interest
While still legally recoverable, interest is not brought to account as income where the Company is informed that the member has deceased, or where a loan is impaired. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors. APRA has made it mandatory that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility, or 15 days for an overlimit overdraft facility.

Fees and commissions
Fees and commissions are recognised as revenues on an accrual basis.

Interest
Interest income is recognised as it accrues, using the effective interest method.

Dividend income
Dividend income is taken into revenue as received.

Income from property
Income from investment property is recognised in the statement of profit or loss and comprehensive income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total income from property.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee entitlements

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to be settled within 12 months represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs such as workers compensation insurance and payroll tax. Annual leave expected to be taken after 12 months is discounted back to present value using the rates attached to high quality corporate bond rates at the balance date.

Long service leave

The Company's obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates and is discounted using the rates attached to high quality corporate bond rates at the balance date which have maturity dates approximating to the terms of the Company's obligations.

Superannuation plans

Contributions to the employee's superannuation funds are recognised as an expense as they are incurred.

(p) Goods and services tax

As a financial institution, the Company is input taxed on all income except for income from commissions, rents and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits ('RITC'), of which 75% of the GST paid is recoverable.

Revenues, expenses and assets are recognised net of the goods and services tax (GST), except where the amount of the GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of accounting of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cashflows are included on the statement of cash flows on a gross basis. The GST components of cashflows from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flow.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(r) Accounting estimates and judgements

Management has been involved in the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates. In particular, information about areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 10 and 11 – Impairment of loans and advances.
- Note 14 – Property, Plant & Equipment – fair value assessment and estimation of useful life.

(s) Off balance sheet lending

The Company has facilitated the funding of Integris Securitisation Services Pty Ltd (Perpetual Trustees) securitised loans totalling $Nil (2014: $121,826) whereby the Company has acted as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Company receives a management fee in relation to each separate loan funded via this method. The Company bears no risk exposure in respect of these loans.

(t) Reserves

Lending risk reserve
AIFRS precludes the Company from holding a general provision for doubtful debts in its Statement of Financial Position. Under AIFRS the balance of the general provision must be carried in a suitably styled reserve account in equity as an allocation from retained profits.

The Company has transferred the amount of $63,656 to a lending risk reserve account during 2015. This reserve is calculated at the rate of between 0.5% and 1.25% of risk weighted assets.

Member share redemption reserve
The Company has, in accordance with Compliance Note 2001.84, complied with Section 254k of the Corporations Act 2001 via the creation of a Member Share Redemption Reserve. At the conclusion of each quarter during the financial year, the Company establishes the number of members that resigned during the quarter and transfers the equivalent monetary amount to a Member Share Redemption Reserve from retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Reserves (continued)

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

The Member Share Redemption Reserve has been separately disclosed.

Asset revaluation reserve
The asset revaluation reserve relates to the revaluation of land and buildings.

(u) Member deposits

Basis for determination
Member deposits and term investments are quoted at the aggregate amount of money owing to depositors.

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

(v) Short term borrowings
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

(w) Financial Instruments

Recognition & initial measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial Instruments (continued)

continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification & subsequent measurement

(i) Financial assets at fair value through profit & loss
Financial assets are classified at fair value through the profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

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

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

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Profit or Loss and Other Comprehensive Income unless they are designated as hedges.

Notes to the Financial Statements

For the year ended 30 June 2015

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Financial Instruments (continued)

Impairment

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(x) New standards and interpretations not yet adopted

The following standards have been identified as ones which may impact the Company in the period of initial application. They are available for early adoption, but have not been applied by the Company in these financial statements:

- AASB 9 Financial Instruments - replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The company does not expect the changes to have a material effect on the financial statements when AASB 9 is first adopted.
- AASB 15 Revenue from Contracts with Customers - establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces most of the existing standards and interpretations relating to revenue recognition, including AASB 118 Revenue and AASB 111 Construction Contracts. The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the Company of the amount expected to be entitled for performing under the contract. It is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The company does not expect the changes to revenue recognition to have a material effect on the financial statements when AASB 15 is first adopted.

2. INTEREST REVENUE AND INTEREST EXPENSE

	2015 $	2014 $
Interest revenue		
Deposits with other financial institutions	1,601,512	1,305,150
Loans and advances	12,690,033	13,189,804
	14,291,545	14,494,954
Interest expense		
Member deposits	5,931,568	6,458,191
Short-term borrowings	116	670
	5,931,684	6,458,861

Notes to the Financial Statements

For the year ended 30 June 2015

3. OPERATING REVENUE AND EXPENSES

	2015 $	2014 $
Depreciation and amortisation expense		
Depreciation of property, plant and equipment:		
Plant and equipment	199,518	202,995
Buildings	44,685	41,601
Amortisation of intangible assets	76,687	74,117
Total depreciation and amortisation expense	320,890	318,713
General and administration expense		
Personnel costs:		
- Wages and salaries	3,470,736	3,449,195
- Employee entitlements	60,725	66,172
- Superannuation contributions	397,469	364,019
EDP costs	677,690	617,474
Marketing and promotion	515,988	516,546
General administration	867,716	851,895
Other	463,674	464,270
Total general and administration expense	6,453,998	6,329,571
Non interest revenue		
Loan fees	286,400	262,087
Electronic transaction fees	563,951	757,035
Other fees	723,964	734,934
Commissions	690,454	690,394
Bad debts recovered	14,102	9,253
Rent	29,223	66,900
Dividends	69,252	89,942
Gain on revaluation of investment property	-	-
Other	122,541	47,165
Total non interest revenue	2,499,887	2,657,710

4. AUDITOR'S REMUNERATION

	2015 $	2014 $
Amounts received or due and receivable by the External Auditor of the Company (including GST) for:		
- Audit of the financial statements of the Company	67,540	63,800
- Other regulatory assurance service	18,222	16,830
- Other services in relation to the Company	5,198	5,055
	90,960	85,685

5. INCOME TAX

	2015 $	2014 $
Profit before tax	2,954,186	3,003,602
Prima facie income tax expense calculated at 30% on net profit	886,256	901,081
Increase/(decrease) in income tax due to:		
Non-deductible expenses	403	182
Imputation credits	(20,775)	(26,830)
Under/(over) provision for income tax in prior year	-	-
Other items	1,100	6,372
Income tax expense	866,984	880,805
Current tax expense		
Current year	897,666	910,167
Adjustments for prior year	-	-
Deferred tax expense	(30,682)	(29,362)
Income tax expense	866,984	880,805

Notes to the Financial Statements

For the year ended 30 June 2015

6. RECOGNISED DEFERRED TAX ASSETS & LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2015 $	2014 $	2015 $	2014 $	2015 $	2014 $
Loans & advances	28,108	13,949	-	-	28,108	13,949
Prepayments	-	-	(537)	(1,050)	(537)	(1,050)
Property, Plant and Equipment	-	-	(48,730)	(53,693)	(48,730)	(53,693)
Accrued Expenses	21,148	28,318	-	-	21,148	28,318
Employee Benefits	224,318	206,101	-	-	224,318	206,101
	273,574	248,368	(49,267)	(54,743)	224,307	193,625

The current tax payable for the Company of $238,801 (2014: $209,987) represents the amount of income tax payable in respect of current and prior periods.

7. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash on hand and at bank	4,507,414	5,695,748
Interest earning deposits	30,610,550	36,727,158
	35,117,964	42,422,906
Maturity analysis		
At call	7,507,414	9,695,748
Not longer than 3 months	27,610,550	32,727,158
	35,117,964	42,422,906
Credit rating of cash & cash equivalents		
CUSCAL – rated A+	12,975,581	20,295,460
Banks – rated AA and above	-	-
Banks – rated below AA	19,764,238	19,806,622
Cash on hand	2,378,145	2,320,824
	35,117,964	42,422,906

8. RECEIVABLES DUE FROM OTHER FINANCIAL INSTITUTIONS

	2015 $	2014 $
Interest Earning Deposits	33,813,489	1,968,069
	33,813,489	1,968,069
Maturity analysis		
At call	-	-
Not longer than 3 months	-	-
Longer than 3 months and not longer than 12 months	16,776,044	1,968,069
Longer than 12 months	17,037,445	-
	33,813,489	1,968,069
Credit rating of receivables due from other financial institutions		
CUSCAL – rated A-1	-	-
Banks – rated AA and above	2,006,060	-
Banks – rated below AA	31,807,429	1,968,069
	33,813,489	1,968,069

9. RECEIVABLES

	2015 $	2014 $
Interest receivable	440,192	214,100

10. LOANS AND ADVANCES

	2015 $	2014 $
Overdrafts	3,544,519	3,548,054
Term loans	226,054,275	226,657,327
Gross loans and advances	229,598,794	230,205,381
Provision for impairment	(81,819)	(46,498)
Net loans and advances	229,516,975	230,158,883
Maturity analysis		
Overdrafts	3,544,519	3,548,054
Remaining maturity not longer than 3 months	5,380,244	5,752,339
Remaining maturity longer than 3 and not longer than 12 months	15,316,810	16,239,017
Remaining maturity longer than 1 and not longer than 5 years	73,138,951	76,709,615
Remaining maturity longer than 5 years	132,218,271	127,956,356
	229,598,795	230,205,381

10 LOANS AND ADVANCES (continued)

	2015 $	2014 $
Security held against loans		
Secured by mortgage over residential property	213,222,958	214,984,312
Secured by mortgage over other property	7,633,264	6,199,137
Total loans secured by real estate	220,856,222	221,183,449
Secured by funds	2,566,852	2,270,413
Partly secured by goods mortgage	5,192,213	5,795,561
Wholly unsecured	983,508	955,958
	229,598,795	230,205,381

It is not practicable to value all collateral as at the balance date due to the variety of assets and their condition. A breakdown of the quality of the residential mortgage security on a portfolio basis is as follows:

Loan to value ratio of 80% or less	167,196,255	165,689,222
Loan to value ratio of more than 80% but mortgage insured	31,722,916	34,353,877
Loan to value ratio of more than 80% not mortgage insured	14,303,787	14,941,213
	213,222,958	214,984,312

Concentration of risk

Significant individual exposures

The loan portfolio of the Company does not include any loans or advances which represents 10% or more of capital.

Geographical concentrations

The Company has an exposure to groupings of individual loans which concentrate risk and create exposure to the geographical areas of Shire of Campaspe, Shire of Moira, Shire of Strathbogie, Shire of Mitchell, Benalla Rural City and The Greater Shepparton City.

- Victoria	220,988,920	221,773,665
- New South Wales	6,753,490	6,778,312
- Other	1,856,385	1,653,404
	229,598,795	230,205,381

11. IMPAIRMENT OF LOANS AND ADVANCES

	2015 $	2014 $
Total provision comprises of		
Collective provisions	81,819	46,498
Specific provisions	-	-
Total provision	81,819	46,498
Movement in the collective provision for impairment		
Balance at beginning of year	46,498	34,916
Bad and doubtful debts provided for during the year	78,017	90,627
Bad debts previously provided for and written off during the year	(42,696)	(79,045)
Balance at end of year	81,819	46,498
Movement in the specific provision for impairment		
Balance at beginning of year	-	-
Bad and doubtful debts provided for during the year	-	-
Bad debts previously provided for and written off during the year	-	-
Balance at end of year	-	-
Impairment charge comprises of		
Collective provision increase/(decrease)	78,017	90,627
Specific provision increase/(decrease)	-	-
Bad debts recognised directly to statement of comprehensive income	11,580	9,196
Total bad debts expense	89,597	99,823
Ageing analysis of loans and advances past due		
Loans and advances past due and not impaired		
Up to 30 days	3,896,920	4,986,733
More than 30 days, but less than 90 days	509,452	506,589
More than 90 days, but less than 180 days	-	-
More than 180 days, but less than 270 days	-	-
More than 270 days, but less than 365 days	-	-
More than 365 days	-	-
Over limit facilities less than 14 days	24,234	19,563
	4,430,606	5,512,885

11 IMPAIRMENT OF LOANS AND ADVANCES (continued)

	2015 $	2014 $
Loans and advances past due and impaired		
Up to 30 days	-	-
More than 30 days, but less than 90 days	-	-
More than 90 days, but less than 180 days	153,280	15,169
More than 180 days, but less than 270 days	5,080	13,845
More than 270 days, but less than 365 days	-	-
More than 365 days	1,510	4,951
Over limit facilities more than 14 days	30,609	36,866
	190,479	70,831

Security analysis of loans and advances past due

	2015 $	2014 $
Loans and advances past due and not impaired		
Secured by mortgage over real estate	4,236,255	5,163,975
Secured by funds	-	14,996
Partly secured by goods mortgage	161,179	280,225
Wholly unsecured	33,172	53,689
	4,430,606	5,512,885
Loans and advances past due and impaired		
Secured by mortgage over real estate	113,712	-
Secured by funds	-	-
Partly secured by goods mortgage	33,318	33,895
Wholly unsecured	43,449	36,936
	190,479	70,831

Loans renegotiated

Some loans that were previously past due or impaired, have been renegotiated by the Company and are no longer regarded as impaired.

	2015 $	2014 $
Loans renegotiated during the financial year	1,127,233	2,959,829
Specific provision for impairment	-	-
Balance at the end of the financial year	1,127,233	2,959,829

Assets acquired through enforcement of security

There were no assets acquired by the Company via enforcement of security during the year (2014: Nil).

12 OTHER FINANCIAL ASSETS

	2015 $	2014 $
Shares in special service providers (a)	437,048	437,048

(a) Shares in special service providers

The shareholding in special service providers relates to a shareholding in Cuscal Limited and Transaction Solutions Pty Limited ("TAS"). The shareholdings are measured at cost as their fair value could not be measured reliably.

Cuscal Limited was created to supply services to the member credit unions and does not have an independent business focus. These shares, accounting for $421,466 (2014: $421,466) of the balance, are held to enable the Company to receive essential banking services. The shares are not able to be traded and are not redeemable.

The Financial Statements of Cuscal Limited record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of the providers, any fair value determination on these shares is likely to be greater than their cost value. Due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

The remaining $15,582 shares (2014: $15,582) are held in TAS. As disclosed in Note 23, TAS provides the Company with electronic data processing services.

The Company is not intending, nor able to dispose of these shares, without a majority of shareholder approval.

Notes to the Financial Statements

For the year ended 30 June 2015

13 INTANGIBLE ASSETS

	2015 $	2014 $
At cost	787,004	765,512
Provision for amortisation	(619,656)	(542,970)
	167,348	222,543

Reconciliations

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

Computer software & licences

	2015 $	2014 $
Balance at beginning of the year	222,543	155,772
Acquisitions	21,492	140,888
Disposals	-	-
Less amortisation	(76,687)	(74,117)
Balance at end of the year	167,348	222,543

14. PROPERTY, PLANT AND EQUIPMENT

	2015 $	2014 $
Freehold land - at fair value	1,846,950	1,846,950
Buildings on freehold land – at fair value	2,004,030	1,787,383
Accumulated depreciation	(86,286)	(41,601)
Total buildings on freehold land	1,917,744	1,745,782
Plant and equipment – at cost	2,896,569	2,869,547
Accumulated depreciation	(1,878,815)	(1,899,410)
Total plant and equipment	1,017,754	970,137
Capital Works in Progress – at Cost	6,775	-
Carrying amount of total property, plant & equipment	4,789,223	4,562,869

14 PROPERTY, PLANT & EQUIPMENT (continued)

(a) Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	Land	*Buildings*	*Plant and equipment*	*Capital work in progress*	*Total*
	$	**$**	**$**	**$**	**$**
Balance at 30 June 2013	1,846,950	1,664,050	1,059,558	25,503	4,596,061
Additions	-	123,050	224,563	-	347,613
Revaluations	-	-	-	-	-
Internal transfers	-	283	13,391	(25,503)	(11,829)
Disposals	-	-	(124,380)	-	(124,380)
Depreciation	-	(41,601)	(202,995)	-	(244,596)
Balance at 30 June 2014	1,846,950	1,745,782	970,137	-	4,562,869
Balance at 1 July 2014	1,846,950	1,745,782	970,137	-	4,562,869
Additions	-	216,647	354,630	6,775	578,052
Revaluations	-	-	-	-	-
Internal transfers	-	-	-	-	-
Disposals	-	-	(107,495)	-	(107,495)
Depreciation	-	(44,685)	(199,518)	-	(244,203)
Balance at 30 June 2015	1,846,950	1,917,744	1,017,754	6,775	4,789,223

14 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) Valuations

Land and buildings owned by the Company were independently valued during the 2013 financial year based on current market values.

The land and buildings at Shepparton, Benalla, Seymour, Kyabram and Numurkah were valued by Joe Cummins AAPI, Certified Practising Valuer of Opteons for a market value of $3,511,000.

The Directors believe that the valuations obtained are a reasonable approximation of fair value and have been recognised on this basis as at 30 June 2015.

15 INVESTMENT PROPERTY

	2015 $	2014 $
At fair value	582,000	582,000
Accumulated impairment	-	-
Balance at end of the year	582,000	582,000

Reconciliation

Reconciliation of investment property is set out below:

Balance at beginning of the year	582,000	582,000
Acquisitions	-	-
Revaluation	-	-
Disposals	-	-
Impairment	-	-
Balance at end of the year	582,000	582,000

Investment property comprises a number of commercial properties at Shepparton and Kyabram that are leased or available for lease to third parties. Each of the leases contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. See Note 28 for further information.

The investment properties were valued during the 2013 year by Joe Cummins AAPI, Certified Practising Valuer of Opteon with the fair value of $582,000. The Directors have reconsidered the carrying value at 30 June 2015 together with input from the valuer and have concluded that no change in carrying value is necessary.

16 OTHER ASSETS

	2015 $	2014 $
Prepayments	143,661	139,739
Sundry debtors	107,764	248,742
	251,425	388,481

17 DEPOSITS

	2015 $	2014 $
On call deposits	171,272,034	136,547,755
Term deposits	92,987,724	105,713,559
	264,259,758	242,261,314

Maturity analysis

	2015 $	2014 $
On call	171,272,034	136,547,755
Not longer than 3 months	43,666,779	46,887,017
Longer than 3 and not longer than 12 months	45,028,720	49,145,000
Longer than 1 and not longer than 5 years	4,292,225	9,681,542
	264,259,758	242,261,314

Concentration of deposits

The Company operates in the bond areas set out in the Company's rules. This area generally covers the Shire of Campaspe, Shire of Moira, Shire of Strathbogie, Shire of Mitchell, Benalla Rural City and the Greater Shepparton City.

	2015 $	2014 $
Victoria	257,442,503	234,883,770
Other States	6,817,255	7,377,544
	264,259,758	242,261,314

The Company's deposit portfolio does not include any deposits which represent 10% or more of total liabilities (2014: Nil).

18 ACCOUNTS PAYABLE AND OTHER LIABILITIES

	2015 $	2014 $
Trade creditors	344,149	337,914
Accrued interest payable	1,257,435	1,342,595
Accrued expenses	1,743,641	1,661,613
	3,345,225	3,342,122

Notes to the Financial Statements

For the year ended 30 June 2015

19 EMPLOYEE BENEFITS

	2015 $	2014 $
Current		
Accrued salaries and wages	22,320	11,160
Liability for long service leave	298,910	244,518
Liability for annual leave	370,137	354,980
Non-current		
Liability for long service leave	78,682	87,507
	770,049	698,165

20 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

(a) Cash flow from operating activities

	2015 $	2014 $
Profit after income tax	2,087,202	2,122,797
Non cash flows in operating surplus/(deficit):		
Charge for bad and doubtful debts	89,597	99,823
Depreciation of property, plant & equipment	244,203	244,596
Amortisation on intangible assets	76,687	74,117
Loss on sale of asset	40,361	57,107
Gain on revaluation of investment property and equipment	-	-
Changes in assets and liabilities:		
Increase/(Decrease) in employee entitlements	71,884	77,334
(Increase)/Decrease in accrued receivables	(226,092)	(53,110)
(Increase)/Decrease in deferred tax asset	(25,206)	(27,296)
(Increase)/Decrease in other assets	137,056	(176,631)
Increase/(Decrease) in payables and accruals	3,103	156,561
Increase/(Decrease) in income tax payable	28,814	81,951
Increase/(Decrease) in deferred tax liability	(5,476)	(2,066)
Net cash from revenue activities	2,522,133	2,655,183
Add/(deduct) non revenue operations:		
Increase in loan balance	552,311	(10,113,818)
Increase in deposits and short term borrowings	21,998,444	(653,742)
	25,072,888	(8,112,377)

20 RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES (continued)

(b) Cash flows presented on a net basis

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

(i) member deposits to and withdrawals from deposit accounts;
(ii) borrowings and repayments on loans, advances and other receivables;
(iii) investment securities including shares in special service providers and unlisted shares.

(c) Bank overdraft facility

The Company has an overdraft facility available to the extent of $5,000,000 (2014: $5,000,000). This facility is provided by Cuscal Limited and is subject to funds being available from Cuscal Limited at the time of drawdown. This facility is secured by a fixed and floating charge over the assets and undertakings of the Company and incurs interest at 4.50% (2014: 5.00%). As at 30 June 2015 the utilised portion of the facility was $Nil (2014: $Nil).

21 SUPERANNUATION

Contributions to the employees' superannuation fund are expensed as incurred.

All employees and Directors of the Company are able to nominate which superannuation fund to which the Company contributes the compulsory superannuation guarantee levy.

The Company contributes a minimum rate of 9.50% of the employee's salary.

The Company is not obliged to contribute to these funds other than to meet its liability under the Superannuation Guarantee legislation. The Company is under no legal obligation to make up any shortfall in the funds' assets.

As the funds are accumulation funds no actuarial assessment of the funds has been undertaken.

22 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS

In the normal course of business the Company enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of members. The Company uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. For financial guarantees the Company's interest has been fully secured by either a fixed savings authority over frozen fixed deposits or by a mortgage over real estate.

Credit commitments and contingent liabilities existing as at 30 June 2015 are inclusive of Goods and Services Tax.

Notes to the Financial Statements

For the year ended 30 June 2015

22 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (continued)

	2015 $	2014 $
Credit related commitments		
Approved but undrawn loans and credit limits	8,238,688	6,030,428
Security analysis of credit-related commitments		
Secured by mortgage over real estate	6,628,187	4,279,757
Secured by funds	361,806	335,267
Partly secured by goods mortgage	130,520	166,522
Wholly unsecured	1,118,175	1,248,882
	8,238,688	6,030,428
Financial guarantees		
Guarantees	282,550	308,060
Security analysis of financial guarantees		
Secured by mortgage over real estate	18,182	24,624
Secured by funds	264,368	283,436
Partly secured by goods mortgage	-	-
Wholly unsecured	-	-
	282,550	308,060

22 CONTINGENT LIABILITIES AND CREDIT COMMITMENTS (continued)

Credit Union Financial Support System Limited

With effect from 1 July 1999, Goulburn Murray Credit Union Co-operative Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that all credit unions who are affiliated with Cuscal Limited have agreed to participate in.

CUFSS is a company limited by guarantee with each credit union's guarantee being $100.

As a member of CUFSS, the Company:

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

The Company has given a floating charge over all the assets and undertakings of the Company to Credit Union Financial Services (Australia) Limited in return for emergency liquidity support from CUFSS, the settlement with banks for member cheques, VISA cards, Redicards, and to secure the Company's overdraft facility and standby facility.

23 OUTSOURCING ARRANGEMENT

The Company has outsourcing arrangements with on the following suppliers of services:

- Cuscal Limited for the rights to VISA cards and Redicards, for the transfer of electronic funds, for the settlement with the banks for member cheques, VISA cards, Redicards and access to the direct entry system.
- Transaction Solutions Pty Ltd for electronic data processing.
- Ultradata Australia Pty Ltd that provides and maintains the application software utilised by the Company.

24 KEY MANAGEMENT PERSONNEL

The following were key management personnel of the Company at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

John Lyle	Chair
Fiona Merrylees	Deputy Chair
Frank Mandaradoni	
Frederick West	
John Guilmartin	
Geoff Cobbledick	
Robert Morris	

Executives

René Deen	General Manager
Peter Thomas	Operations Manager
Rebecca Hearn	Finance Manager
Brett Elgar	Compliance Manager
Ken Kilsby	Loans Manager
Paul Cross	IT Manager

Transactions with key management personnel

In addition to their salaries, the Company also provides banking services and products to key management personnel as outlined below.

Key management personnel compensation

The key management personnel compensation included in "personnel costs" (see Note 3) are as follows:

	2015 $	2014 $
Short-term employee benefits	886,296	853,572
Other long term benefits	15,224	15,718
Post employment benefits	80,217	70,337
	981,737	939,627

The above excludes out of pocket reimbursements. All remuneration to Directors was approved by members at the previous Annual General Meeting of the Company.

Public disclosure of remuneration

In accordance with the APS 330 Public Disclosure requirements, the Company is required to include both qualitative disclosure and quantitative disclosures for senior managers and material risk-takers in the Regulatory Disclosure section on their website.

24 KEY MANAGEMENT PERSONNEL (continued)

Loans to key management personnel and other related parties

Details regarding the aggregate of loans made, guaranteed or secured by the Company to key management personnel and their related parties are as follows:

	2015 $	2014 $
Loans to key management personnel	1,175,497	1,218,892
Loans to other related parties	-	-
	1,175,497	1,218,892

All loans to Directors and key management personnel by the Company have been made in the normal course of business and on the normal commercial terms and conditions. A concessional loan rate facility is available to qualifying staff.

Revolving credit facilities $80,000 (2014: $80,000) were made available to Directors and key management personnel during the year. The aggregate amount receivable at 30 June 2015 was $64,153 (2014: $62,243).

Loans and redraws totalling $470,565 (2014: $70,060) were made to key management personnel, Mr R Deen, Mr P Thomas and Mrs R Hearn, during the year. (2014: Mr P Thomas and Mrs R Hearn).

During the year Messrs Guilmartin, Mandaradoni, Cross, Deen, Thomas, Mrs Hearn and Mrs Merrylees (2014: Messrs Guilmartin, Mandaradoni, Cross, Deen, Thomas, Mrs Hearn and Mrs Merrylees) repaid $586,938 (2014: $144,044) of the balances outstanding on their loans.

For all loans to non-executive directors and their related parties, interest is payable at prevailing market rates. Interest rates on loans to executive staff may be discounted by a maximum of 0.5% for housing loans and 2% for other loans. The principal amounts are repayable at any time. Interest is charged monthly. All housing loans are secured by registered first mortgage over the borrowers residences.

Interest received on the loans to key management personnel totalled $79,482 (2014: $65,882) and on loans to other related parties totalled $Nil (2014: $Nil). No amounts have been written down or recorded as allowances, as all balances outstanding are considered fully collectable.

There were no other amounts receivable at 30 June 2015 (2014: $Nil) nor were any other loans advanced during the period.

24 KEY MANAGEMENT PERSONNEL (continued)

Deposits from key management personnel and other related parties

	2015 $	2014 $
Total value Term and Saving Deposits from key management personnel	1,385,705	414,806
Total interest paid on deposits to key management personnel	15,391	8,313

The Company's policy for receiving deposits from key management personnel is that all transactions are approved and deposits accepted on the same terms and conditions which applied to members for each type of deposit.

Other key management personnel transactions with the Company

From time to time the key management personnel of the Company and their related parties may conduct banking related transactions with the Company. These transactions are on the same terms and conditions as those entered into by other members, with the exception of transactions which incur a fee.

Other than that listed below, no members of key management persons of the Company, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

Key Management Personnel	Transaction	Note	2015 $	2014 $
Fiona Merrylees	Legal Services	(i)	186	Nil
			186	Nil

(i) During the 2015 financial year, GMCU entered into a commercial arrangement with SMR Legal to provide conveyancing and other legal services. Fiona Merrylees is a director of SMR Legal as well as being a director of GMCU.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES

Introduction

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has approved a policy of compliance and risk management to suit the risk profile of the Company.

The Company's risk management focuses on the major areas of market risk, credit risk and operation risk. Authority flows from the Board of Directors to the Risk Committee which are integral to the management of risk.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company through its training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The main elements of risk governance are as follows:

Board: This is the primary governing body. It approves the level of risk which the Company is exposed to and the framework for identifying, monitoring, managing, mitigating and reporting those risks. The Board has a developed Risk Appetite framework that provides the facilitation of the Risk Profile of the Company.

Risk Committee: This is the key body in the control of risk within the Company. It consists of representatives from the Board of Directors. The Risk Committee is responsible for oversight of implementation and operation of risk systems.

Audit Committee: This is the key body to oversee and control the management and presentation of financial information of the Company. It consists of representatives from the Board of Directors. The Audit Committee also facilitates the External and Internal Auditor arrangements, and reviews the effectiveness of risk systems.

Asset & Liability Committee ('ALCO'): This is a committee of Senior Management that meets weekly on the overall identification, monitoring, management, mitigation and reporting of operational issues, and ensures that policies and procedures adopted by the Board are implemented.

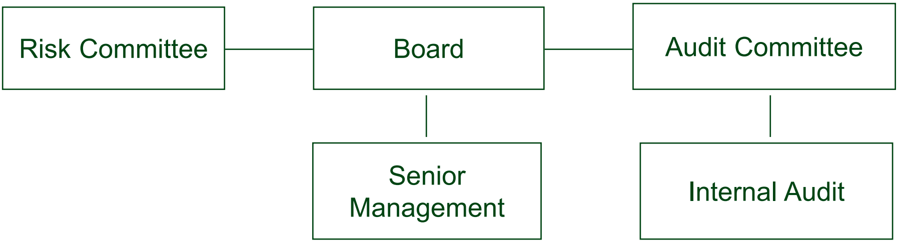
Chief Risk Officer: This role has responsibility for the development and implementation of the risk management framework and policies, and providing assistance to board, management and staff in all aspects of risk management. The Chief Risk Officer reports directly to the General Manager; attends the Audit Committee and Risk Management Committee meetings; and has access to the Board of Directors.

Internal Audit: Internal audit has responsibility for implementing the controls testing and assessment in line with the Board's Compliance Plan / Audit Calendar.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

The following diagram gives an overview of the structure.



The diagram shows the risk management structure. The main elements of risk governance are as follows.

Key risk management policies encompassed within the overall risk management framework include:-

- Board Policy – Credit Risk
- Board Policy – Loans
- Board Policy – Large Exposures
- Board Policy – Operational Risk
- Board Policy – Compliance
- Board Policy – HR & Training Compliance
- Board Policy – Business Continuity
- Board Policy – Outsourcing
- Board Policy – Risk Management
- Board Policy – Market Risk
- Board Policy – Governance
- Board Policy – Liquidity
- Board Policy – Securitisation
- Board Policy – Loans
- Board Policy – Large Exposures
- Board Policy – Capital Plan

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Introduction (continued)

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

Market risk

The objective of the Company's market risk management is to monitor and understand the organisation's market risk exposures so that appropriate action can be taken on a timely basis in order to optimise risk and return for the benefit of members.

Market risk is the risk that changes in interest rates, or other prices and volatilities will have an adverse effect on the Company's financial condition or results. The Company does not trade in the financial instruments it holds on its books. The Company is primarily exposed to interest rate risk arising from changes in market interest rates.

Interest rate risk

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

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

In the banking book the most common risk the Company faces arises from its net open position on its portfolio of fixed rate assets and liabilities. This exposes the Company to the risk of adverse interest rate changes.

The level of mismatch on the banking book is set out in Note 26 below. The table set out in Note 26 displays the period that each asset and liability will reprice as at the balance date. This risk is not considered significant to warrant the use of derivatives to mitigate this risk.

The Company manages its interest rate risk by the regular monitoring of its net open position. The Company has created an Interest Rate Committee to undertake this monitoring. Executives meet periodically to review both the Company's rate and those of its competitors. From this group adjustments are made as considered necessary.

Responsibility for interest rate pricing is delegated to senior management and communicated to the Board as part of standard periodic reporting. The executive group monitor margins and positions and respond to assessed exposures through either sourcing facilities or through targeted product marketing and promotions to rectify the imbalance to within acceptable levels.

The Company has a relatively small proportion of long term fixed rate facilities within its total loan book. If deemed necessary, the Company prefers to source offsetting fixed rate funding in order to have certainty regarding the margin to be realised.

The Company has obtained more sophisticated interest rate monitoring tools through Cuscal to allow it to analyse its position and address the periodic regulatory reporting to APRA. Based on the calculations as at 30 June 2015, the net profit impact (before tax) for a 2% movement in interest rates would be $1,356,064 (2014: $2,170,549). A decrease of 2% in interest rates would have an equal but opposite effect.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

There has been no change in the way the Company manages and measures market risk in the reporting period.

Liquidity risk

Liquidity risk is the risk that the Company may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. Both APRA and the Board of Directors have a policy that the Company maintains adequate cash reserves and committed credit facilities to meet the member withdrawal demands when requested.

The Company manages liquidity risk by:

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

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

The Company is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA prudential standards. The Company policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level management and the Board are to address the matter and ensure that liquid funds are obtained from new deposits, or borrowing and overdraft facilities available. Note 20 (c) describes the overdraft facilities as at the balance date, while Note 1(v) describes the short term borrowings as at balance date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms are set out in the notes.

As at 30 June 2015, the Company held 22.22% of total adjusted liabilities as liquid assets (2014: 16.06%). The average during the financial year was 20.73% (2014: 17.58%), with the minimum reaching 15.80% during the year (2014: 14.01%).

The ratio of liquid funds over the past 5 year is as follows:

2015	2014	2013	2012	2011
22.22%	16.06%	19.14%	19.33%	15.10%

Credit risk

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

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – loans and advances

All loans and facilities are within Australia. The geographic distribution is not analysed into specific areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 10.

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

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. Past due does not mean a counterparty will never pay, but it can trigger various actions such as a renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loan is regarded an impaired, unless other factors indicate the impairment should be recognised sooner.

Daily reports monitor the loan repayments to identify delays in repayments and ensure recovery action is undertaken after 9 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loan is over 90 days in arrears. The exposures to losses arise predominately in personal loans and facilities not secured by registered mortgagers over real estate.

If such evidence exists, the estimated recoverable amount of that asset is determined in any impairment loss, based on the net present value of future anticipated cash flows, is recognised in the Statement of Profit or Loss and Comprehensive Income. In estimating these cash flows, management makes judgement about a counterparty's financial situation and the net realisable value of any underlying collateral.

Provisions are maintained in the statement of financial position at a level that management deems sufficient to absorb probable incurred losses in the Company's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

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

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

Details are set out in Note 11.

Notes to the Financial Statements

For the year ended 30 June 2015

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk – Loans and Advances (continued)

Bad Debts

Amounts are written off when collection of the loan or advance is considered to be remote. All write offs are on a case by case basis, taking account of the exposure at the date of the write off.

On secured loans, the write off takes place on ultimate realisation of collateral value, or from claims on any lenders mortgage insurance.

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 11.

Collateral securing loans

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

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

Board policy is to maintain a large percentage of the Company's loans in well secured residential mortgages. Note 10 describes the nature and extent of the security held against the loan held as at the balance date.

Concentration risk – Individuals

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

The aggregate value of large exposure loans are set out in Note 10. The Company holds no significant concentrations of exposures to members. Concentration exposures to counterparts are closely monitored with reviews on a sample basis being prepared for exposures over 2.5 per cent of the capital base by both Internal Audit and the Audit Committee.

The Company's policy on exposures of this size is to insist on compliance with all lending policies and procedures and a possible review of the loans application by a more senior officer within the organisation.

Concentration risk - Industry

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

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquid investments

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

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investment body and the limits to concentration on any one ADI. Also the relative size of the Company as compared to the industry is relatively low such that the risk of loss is reduced.

Under the liquidity support scheme at least 3.2% of the assets must be invested with Cuscal, to allow the scheme to have adequate resources to meet its obligations if needed.

The Company has a liquidity management arrangement with Laminar Capital who adhere to the matrix outlined in the Company's liquidity policy and any specified investment guidelines. These parameters define what can be invested outside Cuscal. The majority of our investments are held with Cuscal.

External credit assessment for Institution investments

The Company uses the ratings of Standards and Poors or other reputable ratings agencies to assess the credit quality of all investment exposure, where applicable, using the credit quality assessment scale in APRA prudential guidance AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit quality step are detailed in Note 7.

Operational risk

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

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

- the segregation of duties between employee duties and functions, including approval of processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behaviour;
- implementation of the whistleblowing policies to promote a compliant culture and an awareness of the duty to report exceptions by staff;

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational risk (continued)

- education of members to review their account, statement and report exceptions to the Company promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses; and
- contingency plans for dealing with loss of functionality of systems or premises or staff.

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

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

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

Capital Management

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

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

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

The Company reports to APRA under Basel III capital requirements effective from 1 January 2013. The Company uses the standardised approach for credit risk and operational risk. Prior to 1 January 2013, the Company reported to APRA under the prudential requirements referred to as Basel II.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital Management (continued)

The Company's capital contains Common Equity Tier 1 Capital, Tier 1 Capital and Tier 2 Capital, in accordance with ARPA requirements. For Goulburn Murray Credit Union, Common Equity Tier 1 capital consists of retained earnings, property revaluation reserves and general reserves less adjustments for software technology purchases and equity exposures with associated financial institutions or companies. Goulburn Murray Credit Union currently holds no other Tier 1 Capital Instruments. Goulburn Murray Credit Union Tier 2 Capital contains General Reserve for credit losses.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital adequacy ratio calculation

	2015 $	2014 $
Tier 1		
Common Equity Tier 1		
Retained profits	34,901,069	32,880,215
General reserve	80,251	77,559
Property Revaluation Reserve (2012 – Tier 2)	996,294	996,294
Regulatory adjustments to Tier 1 Capital	(828,703)	(853,216)
Net Tier 1 capital	35,148,911	33,100,852
Tier 2		
Lending risk reserve	748,524	684,868
Less prescribed deductions	-	-
Net Tier 2 capital	748,524	684,868
Total Capital	35,897,435	33,785,720

The Company is required to maintain a minimum capital level of 8% or an APRA advised Prudential Capital Ratio (PCR), whichever is higher, as compared to the risk weighted assets at any given time.

The risk weights attached to each asset are based on the weights prescribed by APRA in its guidance AGN 112-1.

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

2015	2014	2013	2012*	2011*
23.83%	24.64%	23.84%	23.56%	24.13%

*Calculated under Basel II requirements

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

To manage the Company's capital the Company reviews, the ratio monthly and monitors major movements in the asset levels. Policies have been implemented to require reporting to the Board if the capital ratio falls below 12% and additionally to the regulator if the capital ratio falls below 12%. Further a 5 year capital budget projection of the capital levels is maintained annually to address how strategic decisions or trends may impact on the capital level.

25 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Pillar 2 Capital on Operational Risk

The capital component was introduced as from 1 January 2009 and coincided with changes in the asset risk weightings for specified loans and liquid investments. Previously no operational change was prescribed.

The Company uses the Standardised approach which is considered to be most suitable for its business given the small number of distinct transaction streams. The Operation Risk Capital Requirement is calculated by mapping the Company's three year average net interest income and net non interest income to the Company's various business lines.

Based on this approach, the Company's operational risk requirement at 30 June 2015 is as follows:

Operational risk capital $16,871,842 (2014: $15,891,965)

It is considered that the Standardised approach accurately reflects the Company's operational risk other than the specific items set out below.

Internal capital adequacy management

The Company manages its internal capital levels for both current and future activities through the Board and Audit Committee. The outputs of the individual committees are reviewed by the Board in its capacity as the primary governing body. The capital required for any change in the Company's forecasts for asset growth, or unforeseen circumstances, are assessed by the Board. The finance department then update the forecast capital resources models produced and the impact upon the overall capital position of the Company is reassessed.

Public disclosure of capital

In accordance with the APS 330 *Public Disclosure* requirements, the Company is required to include details on the composition and features of capital and risk weighted assets in the Regulatory Disclosure section on their website.

26 FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

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

Recognised Financial Instruments	Note	Accounting Policies	Terms and Conditions
(i) Financial assets			
Loans and advances	10	Loan interest is calculated on the daily balance outstanding and is charged in arrears to a customer's account on the last day of each month	All housing loans are secured by registered mortgages. Other loans are assessed on an individual basis.
Receivables	9	Amounts receivable from other entities are carried at nominal amounts due.	N/A
Cash and cash equivalents & Receivables due from other financial institutions	7 & 8	Interest earning deposits are stated at the lower of cost and net realisable value. Interest is recognised when earned.	Interest earning deposits have an average maturity of 482 days (2014: 100 days) and effective interest rates of 1.85% to 3.30% (2014: 2.68% to 3.29%).*
Unlisted shares	12	Unlisted shares are carried at the lower of cost or recoverable amount. Dividend income is recognised when the dividends are received.	N/A
Other financial assets	12	Other investments are carried at the lower of cost or recoverable amount.	N/A

* Restrictions apply to the repayment of deposits held by CUSCAL and for other regulatory purposes

(ii) Financial liabilities

Payables	18	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company.	Trade liabilities are normally settled on 30-day terms.
Deposits and short-term borrowings	17	Deposits and borrowings are recorded at the principal amount.	Details of maturity terms are set out in Note 17 and Note 1(u). Interest is calculated on the daily balance outstanding.
Bank overdraft	20	The bank overdraft is carried at the principal amount. Interest is charged as an expense as it accrues.	Interest is charged at the bank's benchmark rate. Details of the security over the bank overdraft is set out in Note 20.

Notes to the Financial Statements

For the year ended 30 June 2015

26 FINANCIAL INSTRUMENTS (continued)

(b) Interest rate risk

Financial instruments	Floating interest rate		Fixed interest rate maturing in: 1 year or less		Fixed interest rate maturing in: Over 1 to 5 years		Non-interest bearing		Total carrying amount as per the Statement of Financial Position		Weighted average effective interest rate	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 %	2014 %
Financial assets:												
Cash and cash equivalents *	5,129	7,375	61,424	34,695	-	-	2,378	2,321	68,931	44,391	2.53	2.46
Receivables	-	-	-	-	-	-	440	214	440	214	N/A	N/A
Other investments	-	-	-	-	-	-	437	437	437	437	N/A	N/A
Loans and advances	213,338	214,531	6,084	4,446	10,095	11,182	-	-	229,517	230,159	5.18	5.76
Total financial assets	218,467	221,906	67,508	39,141	10,095	11,182	3,255	2,972	299,325	275,201		
Financial liabilities:												
Deposits	171,272	136,548	88,696	96,036	4,292	9,968	-	-	264,260	242,261	1.54	1.91
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	N/A	N/A
Payables	-	-	-	-	-	-	3,345	3,342	3,345	3,342	N/A	N/A
Total financial liabilities	171,272	136,548	88,696	96,036	4,292	9,968	3,345	3,342	267,605	245,603		

N/A - not applicable for non-interest bearing financial instruments.

* For the purpose of Note 26(b) and Note 26(c), cash and cash equivalents includes receivables due from other financial institutions

Notes to the Financial Statements

For the year ended 30 June 2015

26. FINANCIAL INSTRUMENTS (continued)

(c) Maturity profile of financial assets and liabilities

Monetary assets and liabilities have differing maturity profiles depending on the contractual terms, and in the case of loans the repayment amount and frequency. The table below shows the period in which different monetary assets and liabilities will mature and be eligible for renegotiation or withdrawal. In the case of loans, the table shows the period over which the principal and future interest will be repaid based on the remaining period to the repayment date assuming contractual repayments are maintained, and is subject to change in the event repayment conditions are varied. Financial assets and liabilities are at the undiscounted values (including future interest expected to be earned or paid). Accordingly, these values will not agree to the carrying amounts of the Statement of Financial Position.

Financial instruments	Within 3 months		From 3 to 12 months		From 1 to 5 years		More than 5 years		No maturity		Total cash flows		Total carrying amount as per the Statement of Financial Position	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial assets:														
Cash and cash equivalents *	28,030	33,000	17,000	2,000	18,737	-	-	-	7,507	9,696	71,274	44,696	68,931	44,391
Receivables	-	-	-	-	-	-	-	-	-	-	-	-	440	214
Loans and advances	5,384	5,759	15,317	16,239	73,139	76,710	273,045	292,062	-	-	366,885	390,770	229,517	230,159
Other investments	-	-	-	-	-	-	-	-	437	437	437	437	437	437
Total financial assets	33,414	38,759	32,317	18,396	91,876	76,710	273,045	292,062	7,944	10,133	438,596	435,903	299,325	275,201
Financial liabilities:														
Deposits	46,747	49,918	43,401	48,282	4,496	10,071	-	-	171,506	136,641	266,150	244,912	264,260	242,261
Short-term borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Payables	-	-	-	-	-	-	-	-	2,088	2,000	2,088	2,000	3,345	3,342
Total financial liabilities	46,747	49,918	43,401	48,282	4,496	10,071	-	-	173,594	138,641	268,238	246,912	267,605	245,603

26 FINANCIAL INSTRUMENTS (CONTINUED)

(d) Net fair values

The financial instruments within the statement of financial position are recognised and carried at cost or amortised cost. As outlined below in all instances the carrying amount approximates fair value.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

Recognised financial instruments

Cash and cash equivalents
The carrying amounts approximate fair value because of their short-term to maturity or are receivable on demand.

Current securities and investments
Trading securities are carried at amortised cost which approximates net market/net fair value.

Other receivables
The carrying amount approximates fair value as they are short term in nature.

Loan and advances
The fair values of loans receivable excluding impaired loans are estimated using a method not materially different from discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by using a method not materially different from discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows. The carrying amount of loans at 30 June 2015 approximates net fair value.

Members deposits
The carrying amount approximates fair value because of their short-term to maturity.

Trade and other payables
The carrying amount approximates fair value as they are short term in nature.

26 FINANCIAL INSTRUMENTS (CONTINUED)

(e) Categories of financial instruments

The following information classifies the financial instruments into measurement classes.

	2015 $	2014 $
Financial Assets		
Financial assets carried at amortised cost		
Cash and cash equivalents	35,117,964	42,422,906
Receivables	440,192	214,100
Receivables due from other financial institutions	33,813,489	1,968,069
Loans to members	229,516,975	230,158,883
Total loans and receivables	298,888,620	274,763,958
Available for sale investments – carried at cost		
Other financial assets	437,048	437,048
Total available for sale investments	437,048	437,048
TOTAL FINANCIAL ASSETS	299,325,662	275,201,006
Financial liabilities		
Payables	3,345,225	3,342,122
Deposits from members	264,259,758	242,261,314
Total carried at amortised cost	267,604,983	245,603,436
TOTAL FINANCIAL LIABILITIES	267,604,983	245,603,436

27 FAIR VALUE MEASUREMENT

The following tables detail the Credit union’s assets and liabilities, measured or disclosed at fair value, using a 3 levels hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

27 FAIR VALUE MEASUREMENT (continued)

	2014 Level 1 $	2014 Level 2 $	2014 Level 3 $	2014 Total $
Assets measured at fair value				
Land and buildings	-	3,592,732	-	3,592,732
Investment property	-	582,000	-	582,000
TOTAL ASSETS	-	4,174,732	-	4,174,732

	2015 Level 1 $	2015 Level 2 $	2015 Level 3 $	2015 Total $
Assets measured at fair value				
Land and buildings	-	3,764,694	-	3,764,694
Investment property	-	582,000	-	582,000
TOTAL ASSETS	-	4,346,694	-	4,346,694

The Credit Union has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 26(d).

Valuation techniques for fair value measurements categorised as level 2
Land and buildings have been valued based on similar assets, location and market conditions.

Level 2 assets and liabilities
Movements in level 2 assets and liabilities during the current and previous financial year are as set out below:

	Investment Property	Land and Buildings $	Total $
Balance as at 1 July 2013	582,000	3,511,000	4,093,000
Additions	-	123,333	123,333
Depreciation expense	-	(41,601)	(41,601)
Fair value adjustment	-	-	-
Disposals	-	-	-
Balance as at 30 June 2014	582,000	3,592,732	4,174,732
Additions	-	216,647	216,647
Depreciation expense	-	(44,685)	(44,685)
Fair value adjustment	-	-	-
Disposals	-	-	-
Balance as at 30 June 2015	582,000	3,764,694	4,346,694

28 OPERATING LEASE COMMITMENTS

The Company leases premises at Echuca, Euroa, Violet Town, Kilmore and Mooroopna.

Non-Cancellable operating lease commitments on these premises are as follows:

	2015 $	2014 $
Not later than one year	118,235	123,293
Later than one year and not later than five years	196,117	190,184
	314,352	313,477

Expenditure commitments are stated inclusive of Goods and Services Tax.

29 OPERATING LEASE RECEIVABLES

The Company receives rental income from various tenants who lease a portion of the land and buildings owned by the Company at Shepparton and Kyabram.

Non-Cancellable operating lease commitments on these premises are as follows:

Not later than one year	53,640	32,604
Later than one year and not later than five years	20,070	74,285
	73,710	106,889

30 CAPITAL EXPENDITURE COMMITMENTS

Estimated capital expenditure contracted for at balance date but not provided for:

- payable not later than one year	-	-
	-	-

Expenditure commitments existing as at balance date are inclusive of Goods and Services Tax.

The Company has a number of service agreements with external parties for the supply of operational services into the future. Due to the varying nature of these agreements they have not been quantified for disclosure purposes.

31 SUBSEQUENT EVENTS

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, to affect significantly the operations, or the state of affairs of the Company in subsequent financial years.

Directors' declaration

The Directors of the Company declare that:-

1. the financial statements and notes, set out on pages 8 to 61, are in accordance with the Corporations Act 2001, including:
   (a) giving a true and fair view of the financial position of the Company as at 30 June 2015 and of its performance for the year ended on that date; and
   (b) complying with the Accounting Standards and Corporations Regulations; and
2. the financial statements also comply with the International Financial Reporting Standards as disclosed in Note 1; and
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration was made in accordance with a resolution of the Board of Directors:

J B Lyle – Chair	F Merrylees – Deputy Chair

Dated at Shepparton on this 30th day of September 2015.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOULBURN MURRAY CREDIT UNION CO-OPERATIVE LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Goulburn Murray Credit Union Co-operative Limited (the Company), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the Directors' declaration of the consolidated entity comprising the Company and the entities it controlled during the year ended 30 June 2015 set out on pages 8 to 62 .

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the financial report that give a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the Directors determine is necessary to enable the preparation of the financial report that are free from material misstatement, whether due to fraud or error.

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 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 controls relevant to the Company's preparation of the financial report that give 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 Company's internal controls. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENCE

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

Crowe Horwath Albury
ABN 16 673 023 918
Member Crowe Horwath International

Audit and Assurance Services

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Auditor's opinion

In our opinion, the financial report of Goulburn Murray Credit Union Co-operative Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

Crowe Horwath Albury

CROWE HORWATH ALBURY

ALISON FLAKEMORE
Partner

Hobart, 30th September 2015

Administration

René Deen	General Manager / Secretary
Peter Thomas	Operations Manager
Rebecca Hearn	Finance Manager
Brett Elgar	Compliance Manager
Paul Cross	IT Manager
Ken Kilsby	Loans Manager
Dallas Moore	Manager, Shepparton Branch
David Drummond	Manager, Seymour Branch
Jane Holt	Manager, Echuca Branch
Jenni Dunne	Manager, Kyabram Branch
Sharna Papoulis	Manager, Mooroopna Branch
Lonnie Roberts	Manager, Numurkah Branch
Bronwyn Fyfe	Manager, Kilmore Branch
Jennifer Cogger	Manager, Benalla Branch
John Gilbert	Manager, Euroa Branch

Auditors

Crowe Horwath, Albury	External
AFS & Associates Pty Ltd, Bendigo	Internal

Solicitors

SMR Legal
Daniels Bengtsson Pty Ltd

Bankers

CUSCAL Central Banking Scheme
National Australia Bank

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