Gateway Credit Union Ltd
and its Controlled Entity
ABN 47 087 650 093

General Purpose Financial Report for the year ended 30 June 2015

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and its Controlled Entity
ABN 47 087 650 093

General Purpose Financial Report for the year ended 30 June 2015

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Phone: 1300 302 474
Fax: 02 9307 4299
Email: memberservices@gatewaycu.com.au
Web: www.gatewaycu.com.au

Your Directors submit their report for the year ended 30 June 2015.

DIRECTORS
The names and details of Gateway Credit Union's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Catherine M Hallinan (Chairman)
John B Flynn (Deputy Chairman)
Steven R Carritt
Robyn L FitzRoy (appointed January 2015)
Malcolm S Graham
Graham B Raward
Irene H van der Loos
Jennifer M Wicks (resigned September 2014)

Name, qualifications, experience and special responsibilities

Catherine M Hallinan
CHAIRMAN
Qualifications: BA (Hons), MBA, F Fin., FAICD, FAMI.

Experience and special responsibilities:
Catherine joined the Board in June 2006 and was appointed Chairman in May 2012. Catherine is also a director of HCF Life Limited and has over 30 years' experience in banking, finance and management consulting.

- Deputy Chairman (March 2010 to May 2012)

Committee Memberships:
- Nominations & Remuneration (July 2014 to present)
- Risk (March 2014 to present)
- Audit (March 2014 to present)

John B Flynn
DEPUTY CHAIRMAN
Qualifications: FAMI.

Experience and special responsibilities:
John joined the Board in January 1989. John is currently a Finance Consultant with over 44 years' finance experience including 37 years with the Commonwealth Bank of Australia.

- Deputy Chairman (January 1998 to December 2002)
  (February 2013 to present)

Committee Memberships:
- Risk (February 2015 to present)
- Convenor Nominations & Remuneration (March 2014 to January 2015)
- Convenor Audit (February 2015 to present)

Steven R Carritt
NON-EXECUTIVE DIRECTOR
Qualifications: BA (Accounting).

Experience and special responsibilities:
Steven joined the Board in July 1992. Steven has over 38 years' banking and finance experience and was formerly General Manager ALM with the Commonwealth Bank of Australia.

- Chairman (January 2005 to February 2010)
- Deputy Chairman (January 2003 to December 2004)

Committee Memberships:
- Convenor Risk (March 2014 to present)

Robyn L FitzRoy (appointed January 2015)
NON-EXECUTIVE DIRECTOR
Qualifications: BA, MA, FAICD.

Experience and special responsibilities:
Robyn joined the Board in January 2015. She is also a director of Habitat for Humanity Australia. She has over 20 years' experience in the financial services industry and is a former Executive Director of Macquarie Bank. Robyn is a management consultant specialising in governance and is a former non-executive director of CUSCAL. She also is an accredited facilitator and author of courses for the Australian Institute of Company Directors.

Committee Memberships:
- Audit (February 2015 to present)
- Nominations & Remuneration (February 2015 to present)

Malcolm S Graham
NON-EXECUTIVE DIRECTOR
Qualifications: MA, F Fin., FAMI.

Experience and special responsibilities:
Mal joined the Board in July 1992 and has over 40 years' banking and finance experience. Mal is also a director of AM Institute.

- Deputy Chairman (March 2008 to February 2009)
- Chairman (January 1998 to December 2004)
- Deputy Chairman (March 1994 to January 1998)

Committee Memberships:
- Convenor Audit (March 2014 to January 2015)
- Audit (February 2015 to present)
- Nominations & Remuneration (March 2014 to January 2015)
- Convenor Nominations & Remuneration (February 2015 to present)

Graham B Raward
NON-EXECUTIVE DIRECTOR
Qualifications: BComm., M Applied Finance.

Experience and special responsibilities:
Graham joined the Board in June 2006 and has over 42 years' banking experience. Graham is an Executive Manager, Group Funding of the Commonwealth Bank of Australia.

- Deputy Chairman (May 2012 to February 2013)

Committee Memberships:
- Risk (March 2014 to present)

Irene H van der Loos
NON-EXECUTIVE DIRECTOR
Qualifications: GAICD.

Experience and special responsibilities:
Rene joined the Board in February 2008 and is the General Manager, Living Well Navigator & Emerging Businesses at NRMA Motoring & Services. Rene has 14 years' banking experience and was formerly a Director of Sydney Ports Corporation (2006 – 2012).

Committee Memberships:
- Nominations & Remuneration (April 2008 to present)
- Audit (March 2014 to present)

Jennifer M Wicks (resigned 2 September 2014)
NON-EXECUTIVE DIRECTOR
Qualifications: BA, GMQ, GAICD.

Experience and special responsibilities:
Jennifer joined the Board in February 2008. Jennifer is the Portfolio Director, Group Operations, Property and Procurement at Westpac Banking Corporation, and has over 25 years' financial services experience.

- Chairman (February 2010 to May 2012)
- Deputy Chairman (March 2009 to February 2010)

Committee Memberships:
- Convenor Members' Equity Protection (March 2014 to September 2014)
- Risk (March 2014 to September 2014)

COMPANY SECRETARY

Peter W G Gilmore
Chief Financial Officer
Appointed Company Secretary November 2006
B Bus, CPA.

DIRECTORS' MEETINGS

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

		Board Meetings	Nominations & Remuneration Committee Meetings	Audit Committee Meetings	Risk Committee Meetings
Catherine M Hallinan	A	9	5	4	7
	B	9	5	4	7
John B Flynn	A	9	3	4	3
	B	9	3	4	3
Graham B Raward	A	6	-	-	5
	B	9	-	-	7
Steven R Carritt	A	8	-	-	6
	B	9	-	-	7
Jennifer M Wicks	A	1	-	-	1
	B	1	-	-	1
Malcolm S Graham	A	9	5	4	-
	B	9	5	4	-
Irene H van der Loos	A	9	4	3	-
	B	9	5	4	-
Robyn FitzRoy	A	5	2	2	-
	B	5	2	2	-

A - Number of meetings attended
B - Number of meetings held during the time the Director held office during the year.

All Directors requested, and were granted, leave for meetings they were unable to attend.

During the year the responsibilities of the Members' Equity Protection Committee were absorbed into the Board.

DIVIDENDS

No dividends have been paid or declared since the end of the previous financial year, nor do the Directors recommend the declaration of a dividend.

CORPORATE INFORMATION

Gateway Credit Union ("Credit Union") is a public company limited by shares incorporated and domiciled in Australia. As at 30 June 2015, the Consolidated Entity comprises of the Credit Union, the Portavia Trust No.1 Westpac Warehouse ("Portavia Trust No.1") and Portavia Trust No.2 Series 2013-1R ("Portavia Trust No.2"). The Credit Union holds 9 Residual Units in each of the Portavia Trust No.1 and Portavia Trust No. 2, which are both Controlled Entities of the Credit Union ("Gateway").

The Consolidated Entity employed 68 employees at 30 June 2015 (2014: 75).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the year were the provision of financial and associated services to Members of the Credit Union. There have been no significant changes in the nature of these activities during the year.

OPERATING AND FINANCIAL REVIEW

The 2015 Consolidated Entity results comprises of the full 12 months' results to 30 June 2015 for the Credit Union, Portavia Trust No.1 and Portavia Trust No.2. The 2014 comparative Consolidated results comprises of the Credit Union and the Portavia Trust No.1 for the full 12 months for that year and the Portavia Trust No.2 results from its date of establishment on 10 July 2013 to 30 June 2014.

The Consolidated Entity recorded a profit after income tax for the year ended 30 June 2015 of $2.840 million (2014: $1.725 million).

The Consolidated Entity balance sheet assets reached $1.046 billion as at 30 June 2015 (2014: $977.5 million), representing an increase of $68.4 million (7.00%) over the previous financial year. Total loans grew $50.9 million (6.02%) to $896.8 million (2014: $845.9 million) and total deposits were $702.5 million (2014: $696.2 million), being an increase of $6.3 million (0.90%) from the previous year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity during the 2015 financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

There have been no significant changes in the operations and services of the Consolidated Entity.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is not subject to any particular or significant environmental regulation under laws of the Commonwealth or of a State or Territory.

SHARE OPTIONS

No option to acquire shares in the Credit Union has been granted to any person. No shares have been issued during the financial year or since the end thereof by virtue of the exercise of any options. There are no unissued shares under option at the date of this report.

DIRECTORS REMUNERATION

No benefits have been received or are due to be received by a Director, a firm of which the Director is a member, or an organisation in which a Director has a substantial financial interest, either during the financial year, or subsequently, under a contract for services rendered to the Credit Union.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS
During or since the end of the financial year, a premium was paid in respect of a contract insuring Directors and officers (including executive officers, secretary and employees) of the Credit Union against liability.

In accordance with normal commercial practice, disclosure of the total amount of premium payable and the nature of the liabilities covered by the insurance contract is prohibited by a confidentiality clause in the contract.

ROUNDING
The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable), unless otherwise stated, under the option available to the Credit Union under ASIC Class Order 98/0100. The Credit Union is an entity to which the Class Order applies.

AUDITOR INDEPENDENCE
The Directors received an independence declaration from the auditor, Ernst & Young. A copy has been included on the following page.

Signed in accordance with a resolution of the Directors.

C M Hallinan
Chairman

John B Flynn
Deputy Chairman

Sydney, 22 September 2015

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Gateway Credit Union Limited

In relation to our audit of the financial report of Gateway Credit Union Limited for the financial year ended 30 June 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Andrew Harmer
Partner
22 September 2015

		Consolidated		Credit Union	
	Notes	***2015***	*2014*	***2015***	*2014*
		$'000	*$'000*	***$'000***	*$'000*
Interest revenue	5(a)	**47,101**	44,394	**47,101**	44,394
Interest expense	5(a)	**(27,844)**	(26,864)	**(27,844)**	(26,864)
Net interest revenue		**19,257**	17,530	**19,257**	17,530
Non-interest revenue	5(b)	**1,468**	1,481	**966**	1,283
Total revenue		**20,725**	19,011	**20,223**	18,813
Impairment expense	5(c)	**(416)**	(749)	**(416)**	(749)
Accommodation expenses		**(1,122)**	(1,093)	**(1,122)**	(1,093)
Marketing expenses		**(500)**	(491)	**(500)**	(491)
IT expenses		**(1,264)**	(1,329)	**(1,264)**	(1,329)
Administration expenses	5(f)	**(5,020)**	(5,255)	**(5,020)**	(5,255)
Employee benefits expense	5(d)	**(7,827)**	(7,323)	**(7,827)**	(7,323)
Depreciation and amortisation expense	5(e)	**(430)**	(367)	**(430)**	(367)
Total expenses		**(16,579)**	(16,607)	**(16,579)**	(16,607)
Net profit before tax		**4,146**	2,404	**3,644**	2,206
Income tax expense	6(a)	**(1,306)**	(679)	**(1,306)**	(679)
Net profit after tax attributable to Members		**2,840**	1,725	**2,338**	1,527
Other comprehensive income					
Net change on Cash Flow Hedge Reserve	18	**(657)**	(341)	**(155)**	(143)
Other comprehensive income, net of tax		**(657)**	(341)	**(155)**	(143)
Total comprehensive income attributable to Members		**2,183**	1,384	**2,183**	1,384

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

		Consolidated		Credit Union	
	Notes	**2015**	2014	**2015**	2014
		$'000	$'000	**$'000**	$'000
ASSETS					
Cash and cash equivalents	7	**54,423**	52,741	**54,423**	52,741
Held to maturity financial investments	10	**92,342**	76,322	**92,342**	76,322
Loans and advances	8	**896,775**	845,877	**896,775**	845,877
Other assets	9	**349**	594	**349**	594
Property, plant and equipment	11	**215**	238	**215**	238
Deferred tax assets	6(c)	**981**	785	**981**	785
Intangible assets	12	**804**	961	**804**	961
TOTAL ASSETS		**1,045,889**	977,518	**1,045,889**	977,518
LIABILITIES					
Member deposits	13	**702,453**	696,166	**702,453**	696,166
Derivative financial instruments	14	**1,220**	498	**425**	205
Trade payables	15	**3,084**	4,056	**3,084**	4,056
Bank borrowings	16(a)	**242,401**	183,109	**-**	-
Inter-entity borrowings	16(b)	**-**	-	**242,903**	183,109
Current tax payables		**848**	96	**848**	96
Provisions	17	**935**	828	**935**	828
TOTAL LIABILITIES		**950,941**	884,753	**950,648**	884,460
NET ASSETS		**94,948**	92,765	**95,241**	93,058
MEMBERS' EQUITY					
Retained earnings		**96,041**	93,201	**95,539**	93,201
Reserves	18	**(1,093)**	(436)	**(298)**	(143)
TOTAL MEMBERS' EQUITY		**94,948**	92,765	**95,241**	93,058

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

Consolidated	*Notes*	*Retained earnings* ***$'000***	*Cash flow hedge reserve ** ***$'000***	*Total equity* ***$'000***
At 30 June 2013		**91,476**	**(95)**	**91,381**
Profit for the year		1,725	-	1,725
Net change on Cash Flow Hedge Reserve	18	-	(341)	(341)
Total comprehensive income		**1,725**	**(341)**	**1,384**
At 30 June 2014		**93,201**	**(436)**	**92,765**
Profit for the year		2,840	-	2,840
Net change on Cash Flow Hedge Reserve	18	-	(657)	(657)
Total comprehensive income		**2,840**	**(657)**	**2,183**
At 30 June 2015		**96,041**	**(1,093)**	**94,948**

Credit Union	*Notes*	*Retained earnings $'000*	*Cash flow hedge reserve * $'000*	*Total equity $'000*
At 30 June 2013		**91,674**	**-**	**91,674**
Profit for the year		1,527	-	1,527
Net change on Cash Flow Hedge Reserve	18	-	(143)	(143)
Total comprehensive income		**1,527**	**(143)**	**1,384**
At 30 June 2014		**93,201**	**(143)**	**93,058**
Profit for the year		2,338	-	2,338
Net change on Cash Flow Hedge Reserve	18	-	(155)	(155)
Total comprehensive income		**2,338**	**(155)**	**2,183**
At 30 June 2015		**95,539**	**(298)**	**95,241**

** The cash flow hedge reserve represents the cumulative impact of changes in the fair value of derivatives designated as cash flow hedges which are effective for hedge accounting. Hedge gains and losses are transferred to the Statement of Comprehensive Income when they are deemed ineffective or upon realisation of the cash flow.*

	Notes	Consolidated 2015 $'000	Consolidated 2014 $'000	Credit Union 2015 $'000	Credit Union 2014 $'000
Cash flows from/(used in) operating activities					
Interest received		**50,719**	47,415	**50,719**	47,415
Bad debts recovered		**273**	269	**273**	269
Receipts from commissions, fees and other sources		**(1,953)**	1,171	**(1,953)**	1,171
Interest paid		**(31,495)**	(30,300)	**(31,495)**	(30,300)
Net funds advanced to and receipts from members for loans and advances		**(51,161)**	(87,680)	**(51,161)**	(87,680)
Payments to suppliers and employees		**(13,185)**	(14,935)	**(13,185)**	(14,935)
Income tax paid		**(770)**	(1,064)	**(770)**	(1,064)
Net acceptance from and repayment of deposits		**6,389**	36,134	**6,389**	36,134
Proceeds from redemption of investments		**131,617**	205,305	**131,617**	205,305
Payments for investments		**(147,575)**	(203,895)	**(147,575)**	(203,895)
Net cash flows used in operating activities	20	**(57,141)**	(47,580)	**(57,141)**	(47,580)
Cash flows from/(used in) investing activities					
Purchase of intangible assets		**(324)**	(403)	**(324)**	(403)
Purchase of property, plant and equipment		**(95)**	(91)	**(95)**	(91)
Net cash flows used in investing activities		**(419)**	(494)	**(419)**	(494)
Cash flows from/(used in) financing activities					
Proceeds from debt securities issuance		**100,618**	98,944	**100,618**	98,944
Repayment of debt securities		**(41,376)**	(34,791)	**(41,376)**	(34,791)
Net cash flows from financing activities		**59,242**	64,153	**59,242**	64,153
Net increase in cash and cash equivalents		**1,682**	16,079	**1,682**	16,079
Cash and cash equivalents at beginning of year		**52,741**	36,662	**52,741**	36,662
Cash and cash equivalents at end of year	7	**54,423**	52,741	**54,423**	52,741

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

1 CORPORATE INFORMATION

The financial report of Gateway Credit Union and its controlled entities (the "Consolidated Entity") for the year ended 30 June 2015, was authorised for issue in accordance with a resolution of the Directors on 22 September 2015.

Gateway Credit Union is a public company limited by shares incorporated and domiciled in Australia. The address of the Credit Union's registered office is Level 16, 2 Market Street, Sydney, NSW.

The nature of the operations and principal activities of the Credit Union are described in the Directors' Report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for Derivative financial instruments and Held-to-Maturity financial assets which are measured at amortised cost. Where necessary, comparative figures have been adjusted.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Consolidated Entity under ASIC Class Order 98/0100. The Consolidated Entity is an entity to which the Class Order applies.

The Statement of Financial Position is prepared on the liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non current.

(b) Statement of compliance

The financial report is also in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(c) New Accounting Standards & Interpretations

The following Australian Accounting Standards and their Amendments have been identified as those which may impact the Consolidated Entity.

Changes in Accounting Policy

AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Parts A and B of this standard are applicable to the Consolidated Entity for the year ended 30 June 2015. Part A of this standard updates references to the Framework for the Preparation and Presentation of Financial Statements, while Part B makes amendments to particular Australian accounting standards to delete references to AASB 1031 Materiality and makes minor editorial amendments to various standards. This standard is applied retrospectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) New Accounting Standards & Interpretations (continued)

Changes in Accounting Policy (continued)

AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. Where financial assets and financial liabilities meet the criteria to offset, the net amount is presented in the Statement of financial position. This standard is applied retrospectively.

AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.

This standard makes amendments to AASB 136 Impairment of Assets to address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard is applied retrospectively.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting.

These amendments to AASB 139 Financial Instruments: Recognition and Measurement permit the continuation of hedge accounting in circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws and regulations. This standard is applied retrospectively.

Australian Accounting Standards issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective. The Consolidated Entity has not elected to early adopt any of these new standards or amendments in this financial report. These new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial position or performance of the consolidated entity, other than as set out below:

AASB 9 - Financial Instruments (effective date: 1 January 2018)

This standard makes changes to the way financial assets are classified for the purpose of determining their measurement basis and also to the determination of the credit provision. This standard also makes changes to hedge accounting requirements and disclosures. This standard is mandatory for adoption by the Consolidated Entity for the year ending 31 December 2018. The financial impact to the Consolidated Entity of adopting AASB 9 Financial Instruments has not yet been quantified.

AASB 15 - Revenue from Contracts with Customers (effective date: 1 January 2017)

This Standard establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. AASB 15 also includes a cohesive set of disclosure requirements that provide users of Financial Statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. The impact of this Standard is yet to be assessed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Gateway Credit Union Ltd and its controlled entities as at and for the period ended 30 June 2015.

Controlled entities are all those entities over which the parent entity, the Credit Union, has the power to govern the financial and operating policies so as to obtain benefits from their activities. Accounting standards deem the Portavia Trust No.1 and Portavia Trust No.2, which are both special purpose entities, to be controlled entities of the Credit Union, as it holds all the participating residual income units in its ownership structure.

Accordingly, the Credit Union's financial statements include those of the parent Credit Union entity and its Controlled Entities. As the Credit Union controls the assets, liabilities, revenues and expenses of Portavia No.1 Trust and Portavia No.2 Trust, these have not been derecognised.

(e) Functional and presentation currency

Both the functional and presentation currency is Australian dollars ($).

(f) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on hand, short-term bills and call deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents also includes cash within Portavia No.1 Trust and Portavia No.2 Trust, which are subject to restrictions.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings on the Statement of Financial Position.

(g) Loan impairment

The Consolidated Entity assesses at each balance date whether there is any objective evidence that a loan, or a group of loans and advances, is impaired. A loan and advance, or a group of loans and advances, is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and the loss event (or events) has an impact on the estimated future cash flows of the loans and advances or group of loans and advances that can be reliably estimated.

Objective evidence of impairment may include indications that the borrower, or a group of borrowers, is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to 'bad debts recovered', which forms part of Non-interest revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Loan impairment (continued)

Bad debts are written-off when identified. Identification may include: bankruptcy, clearout or unlikelihood of recovery. If a provision of impairment has been recognised in relation to a loan, write-offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write-offs for bad debts are recognised as expenses in the Statement of Comprehensive Income.

(i) Specific provision

Losses for impaired loans are recognised when there is objective evidence that the impairment of a loan has occurred. Impairment losses are calculated on individual loans. The amount provided for impairment is determined by Management and the Board to recognise the probability of loan amounts not being collected in accordance with terms of the loan agreement.

(ii) Collective provision

A collective provision is made for groups of loans with similar credit risk characteristics. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of impairment loss is based upon estimated losses incurred within the portfolio, based upon objective evidence of impairment, the estimated probability of default and the expected loss given default having regard to the historical experience of the Consolidated Entity and industry practices.

(h) Bad debts written-off

Bad debts are written-off when recovery of the debt is considered unlikely by Management and the Board. Bad debts are written-off as an expense in the Statement of Comprehensive Income.

(i) Investments

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit and loss, directly attributable transaction costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Consolidated Entity has a positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognised in profit and loss when the investments are derecognised or impaired, as well as through the amortisation process.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Investments (continued)

If the Credit Union were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Credit Union would be prohibited from classifying any financial asset as held to maturity during the following two years.

(j) Derivative Financial Instruments and Hedge Accounting

The Consolidated Entity uses derivative financial instruments, in the form of interest rate swaps to hedge its risk exposure to interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. The fair values of interest rate swaps are determined using a valuation technique based on cash flows discounted to present value using current market interest rates.

For the purposes of hedge accounting, hedges are classified as cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction.

Cash flow hedges are hedges of the Consolidated Entity's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or to a forecast transaction and that could affect profit and loss. Having met the strict criteria for hedge accounting, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in the Statement of Comprehensive Income.

At inception of the hedge relationship, the Consolidated Entity formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and the strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship. Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item.

At each reporting date, the Consolidated Entity measures ineffectiveness using the dollar offset method. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where the hedged item is a forecast transaction, the Consolidated Entity assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the Statement of Comprehensive Income.

If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to the Statement of Comprehensive Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked (due to it being ineffective), amounts previously recognised in equity remain in equity until the hedged item itself impacts the Statement of Comprehensive Income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Derecognition of financial assets and financial liabilities

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Credit Union has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party unless under a 'pass-through' arrangement; and
- either (a) the Credit Union has transferred substantially all the risks and rewards of the asset, or (b) the Credit Union has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Credit Union has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Credit Union's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Credit Union could be required to repay.

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

Portavia No. 1 Trust
The derecognition criterion outlined above have not been satisfied in respect to the Portavia No. 1 Trust.

Portavia No. 2 Trust

In respect to the Portavia No.2 Trust, whilst the Credit Union has transferred its contractual rights to receive the cash flows from the securitised mortgages over to the Trust, it has retained substantially all risks and rewards of these cash flows by virtue of the ownership of the note investment and residual income units. The residual income units issued by the Trust entitle the Credit Union to any residual income or loss of the Trust after all costs of the Trust have been met and the note investments provide the Credit Union with interest income. Accordingly, the eligible assets and liabilities do not meet the criteria for de-recognition from the Credit Union and will continue to be included within both the accounts of the Credit Union and of the Consolidated Entity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit and loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets at the following rates:

- Office equipment and furniture - 12.5% - 50%
- Computer hardware - 20 - 50%
- Leasehold improvements - 25%*

* calculated at the shorter of useful life or the remaining lease term.

Assets that cost less than $300 are not capitalised and are expensed in the month of purchase.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the year the asset is derecognised.

(m) Intangible assets

The intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and impairment.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software - 20% - 40%

The Consolidated Entity's intangible assets only includes computer software and capitalised work in progress of software still in development stages and not currently in use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

(o) Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

(p) Member deposits

Member deposits comprise term deposits and savings deposits from retail clients and wholesale money market counterparties.

(q) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration exchanged less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

(r) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Consolidated Entity expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Comprehensive Income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

(s) Make good provision

The Consolidated Entity makes a provision to cover the cost of restoring the leased office premises at 2 Market Street upon completion of the lease as per the requirements of the lease contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Employee leave benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised for employees' services up to the reporting date. In respect to annual leave liability, expected cash outflows have taken into consideration the expectation of liabilities to be settled beyond 12 months after the reporting date. As such, these wages and salaries and annual leave liability have been measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

Liabilities for long service leave have been recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. For the current financial year, expected future payments have been discounted using market yields at the reporting date using high quality corporate bond rates. For the 2014 comparatives, national government bonds yields were employed as the discount rate and the impact of the change in accounting estimates is considered immaterial.

(u) Restatements

In line with the requirements of AASB 108, *"Accounting Policies, Changes in Accounting Estimates and Errors"*, the following balances have been restated to better align to common industry practice.

	Credit Union 2014	***Credit Union 2014 Restated***
Statement of Comprehensive Income		
Interest revenue	35,799	44,394
Interest expense	(21,811)	(26,864)
Non-interest revenue	4,761	1,283
Administration expenses	(4,993)	(5,255)
Statement of Financial Position		
ASSETS		
Cash and cash equivalents	40,852	52,741
Held to maturity financial investments	163,471	76,322
Loans and advances	660,987	845,877
Other assets	4,054	594
LIABILITIES		
Derivative financial instruments	205	205
Trade payables	3,218	4,056
Borrowings	77,777	183,109

The changes relate to the recognition of the assets and liabilities of the Portavia Trust 1 in the parent entity under AASB 139 Financial Instruments derecognition requirements. In addition, the changes relate to the inclusion of deferred broker commissions as part of the loans and advances balance in line with EIR requirements of AASB 139 (previously these were disclosed as part of other assets).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Revenue and expense recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Interest income

Revenue is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

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

(ii) Fees and commission income

The Consolidated Entity earns fees and commissions from a range of services it provides to its Members. Where the income does not fall under the requirements of the effective interest rate method, income is brought to account on an accrual basis once a right to receive consideration has been established.

(iii) Interest expense

Interest on savings and term deposits is calculated on the daily balance and posted to the accounts monthly or on maturity. Interest on savings and term deposits is brought to account on an accrual basis in accordance with the interest rate, terms and conditions of each product as varied from time to time. The amount of the accrual is shown as part of Member Deposits. Interest on borrowings is calculated on the daily balance and posted to the facility balance on maturity.

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Income tax (continued)

• when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit and loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit and loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

(x) Other taxes

Revenues, expenses and assets are recognised net of the amount of Goods and Services Tax (GST) except:

• when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
• receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Equity reserves

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the gain or loss on a hedging instrument designated in a cash flow hedge.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(a) Significant accounting judgements

(i) Impairment losses on loans and advances
The Consolidated Entity reviews its loans and advances at each reporting date to assess whether a provision for impairment should be recorded in the Statement of Comprehensive Income. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the level of provision required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the provision.

In addition to specific provisions against individually significant loans and advances, the Consolidated Entity also makes a collective impairment provision against exposures which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. This takes into consideration factors such as any deterioration in geographic risk, economic factors, hardship applications or delinquency trends.

(ii) Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences to the extent that management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

(iii) Impairment of non-financial assets
The Consolidated Entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. These include technology, economic and political environments and future expectations. If an impairment trigger exists the recoverable amount of the asset is determined. When management does not consider that the triggers for impairment testing have been significant enough, these assets are not tested for impairment in this financial period.

3 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)

(b) Significant accounting estimates and assumptions

(i) Estimation of useful lives of non-financial assets
The estimation of the useful lives of assets has been based on historical experience as well as lease terms (for leasehold improvements). In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

(ii) Make good provision
The Consolidated Entity makes a provision to cover the cost of restoring the leased office premises at 2 Market Street upon completion of the lease as per the requirements of the lease contract. An estimate of the per metre cost of the restoration is based on market rates. This rate and the adequacy of the provision build up is reviewed on a yearly basis to ensure coverage of the make good liability.

(iii) Effective Interest Rate ("EIR")

The EIR has been adopted prospectively from 1 July 2013, to determine the value of capitalised upfront broker commissions. Under this method, the estimated expected life and run-off rates of broker loans have been assessed based on historical loan prepayment rates of those portfolios.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk is inherent in the Consoldiated Entity's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Consolidated Entity's continuing profitability and each individual within the Consolidated Entity is accountable for the risk exposures relating to his or her responsibilities. The key risks to which the Consolidated Entity is exposed to market risk, credit risk, liquidity risk and operational risk.

The risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Consolidated Entity's strategic planning process.

Core Components and Principles

During the year the Consolidated Entity continued to develop its Risk Management Framework.

The Consolidated Entity's Risk Management Framework is embedded throughout its operations and governance process, and incorporates the following core components:

- a '*three lines of defence*' model clearly defined risk ownership responsibilities with functionally independent levels of oversight and independent assurance;
- a suite of policies, procedures and systems which together document the Credit Union's Board-approved Risk Appetite Statement and risk management systems descriptions, establish specific limits and other measures to restrict particular risk exposures, ensure that all categories of risk are actively monitored by the Board and managed by Executive Management and provide for regular review of the Credit Union's risk tolerance;
- human resources practices designed to recruit, train and retain employees with required specialist skills;
- clearly documented delegations of responsibility and accountability of risk management throughout the organisation;
- internal control processes including structured Board and Executive Management reporting, a system of independent review (by Internal and External Audit) and constant Board oversight; and
- an operational philosophy that seeks to anticipate and minimise risks before they occur and that fully investigates, and learns from, any unexpected consequences that should arise.

Roles and Responsibilities

Board of Directors

The Board of Directors is responsible for the overall risk management framework and for approving the risk strategies and principles.

Audit Committee

The Audit Committee provides assurance to the Board on the appropriateness, effectiveness and adequacy of the risk management framework. It is responsible for the internal and external auditor relationships.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and recommending that strategy to the Board. It is responsible for implementing principles, frameworks, policies and risk limits. The Risk Committee is responsible for the fundamental risk issues and manages and monitors relevant decisions.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Roles and Responsibilities (continued)

Internal Audit

KPMG has been engaged by the Board to review risk management and internal controls in the capacity of independent internal auditor. KPMG has provided reports to the Chairman of the Audit Committee and has full access to staff and information when conducting its reviews.

KPMG's appointment as internal auditor concluded on 30 June 2015. The Board has appointed Deloitte to the role of internal auditor from 1 July 2015.

Chief Executive Officer

The Chief Executive Officer is responsible for the ongoing management of the Risk Management Framework including its periodic review and renewal subject to requisite Board direction and approvals.

Chief Risk Officer and Executive Management

The Chief Risk Officer and Executive Management team are responsible for implementing the Board-approved risk management strategy and for developing policies, procedures, processes and controls for identifying and managing risks in all areas of activity.

Asset and Liability Committee ("ALCO")

The ALCO, chaired by the Chief Executive Officer, is responsible for overseeing the Treasury framework including the setting of deposit and loan rates in the context of monetary policy and market competition; the management of liquidity and development of new liquidity sources; approving the structure of the Statement of Financial Position; optimising the loan mix with the appropriate balance of risk and reward; monitoring the short and long-term capital position; and managing the inherent interest rate risk.

Executive Risk and Compliance Committee ("ERCC")

The ERCC, chaired by the Chief Executive Officer, oversees the Credit Union's effectiveness in meeting all relevant risk and compliance obligations, as well as developing and reviewing the policy framework for recommendation and approval by the relevant Board Committees and endorsement by the Board.

Risk Measurement and Reporting Systems

Monitoring and controlling risks is primarily performed based on limits established within the Risk Appetite Statement by the Board of the Credit Union. These limits reflect the business strategy and market environment of the Credit Union as well as the level of risk that the Credit Union is willing to accept.

The Board identifies a number of discrete material risk categories and the risk appetite and tolerance parameters for each of these. The Risk Appetite Statement qualifies the appetite or tolerance level for business risks and summarises the limits and management controls which are to apply to control the impact of a particular risk. These parameters are reviewed annually.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Measurement and Reporting Systems (continued)

Information is compiled, examined and processed in order to analyse, control and identify risks early. This information is presented and explained to the Management Committees, the Risk Committee and the Board of Directors. The reporting includes aggregate credit exposures, delinquency summary, loan security summary, loan type summary, liquidity ratios, VaR, sensitivity analysis and material changes. On a monthly basis detailed reporting takes place. Senior Management assesses the appropriateness of the allowance for impairment on a quarterly basis. The Board receives summarised risk reporting on key risk measures on a monthly basis. More detailed analysis and review of risks is undertaken on a periodic basis by the Risk Committee with reporting of outcomes to the Board.

Risk Mitigation

The Consolidated Entity actively manages risk through a framework that includes use of collateral, delegations, limit frameworks, review of loan concentrations and interest rate hedging.

(a) Interest Rate Risk

Fair value interest rate risk

Fair value risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates and foreign exchange rates. The Credit Union is only exposed to changes in interest rates.

Cash flow interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on Value at Risk (VaR) and interest rate gaps for stipulated periods. Positions are monitored on a monthly basis and managed using interest rate swaps.

VaR assumptions

The VaR that the Credit Union measures is an estimate, using a confidence level of 99%, of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within twenty days' horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days.

Since VaR is an integral part of the Credit Union's interest rate risk management, VaR limits have been established and exposures are reviewed monthly against the limits by management.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest Rate Risk (continued)

Consolidated Entity and Credit Union

2015	Weighted average interest rate %	Floating interest rate	Fixed interest rate: 1 year or less	Fixed interest rate: 1 to 5 years	Fixed interest rate: than 5 years	Non-interest bearing	Total
		$000's	$000's	$000's	$000's	$000's	$000's
Financial assets							
Cash and cash equivalents	2.20%	54,422	-	-	-	1	54,423
Held to maturity financial investments	2.78%	27,736	64,606	-	-	-	92,342
Loans and advances	5.02%	717,965	43,589	135,222	-	-	896,775
Total financial assets		800,123	108,195	135,222	-	1	1,043,540
Financial liabilities							
Member deposits	2.98%	246,217	427,280	28,901	-	55	702,453
Derivative financial instruments*	0.63%	1,220	-	-	-	-	1,220
Trade payables	0.00%	-	-	-	-	3,084	3,084
Borrowings**	2.86%	242,401	-	-	-	-	242,401
Total financial liabilities		489,838	427,280	28,901	-	3,139	949,158
Total Interest Rate Repricing Gap		310,285	(319,085)	106,321	-	(3,138)	94,382
Cumulative Interest Rate Repricing Gap		310,285	(8,801)	97,520	97,520	94,382	-

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Interest Rate Risk (continued)

Consolidated Entity and Credit Union

2014	Weighted average interest rate %	Floating interest rate	Fixed interest rate 1 year or less	Fixed interest rate 1 to 5 years	Fixed interest rate than 5 years	Non-interest bearing	Total
		$000's	$000's	$000's	$000's	$000's	$000's
Financial assets							
Cash and cash equivalents	2.46%	52,740	-	-	-	1	52,741
Held to maturity financial	3.17%	-	76,322	-	-	-	76,322
Loans and advances	6.01%	683,800	28,881	133,196	-	-	845,877
Total financial assets		736,540	105,203	133,196	-	1	974,940
Financial liabilities							
Member deposits	2.95%	224,912	451,758	19,437	-	59	696,166
Derivative financial instruments*	N/A	498	-	-	-	-	498
Trade payables	0.00%	-	-	-	-	4,056	4,056
Borrowings**	3.96%	183,109	-	-	-	-	183,109
Total financial liabilities		408,519	451,758	19,437	-	4,115	883,829
Total Interest Rate Repricing Gap		328,021	(346,555)	113,759	-	(4,114)	91,111
Cumulative Interest Rate Repricing Gap		328,021	(18,534)	95,225	95,225	91,111	-

* includes derivatives from Portavia No.1 and Portavia No.2

** the Credit Union includes external borrowings only and not other items classified as inter-entity borrowings as part of the AASB 139 derecognition accounting requirements.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk

Credit risk is the risk of financial loss if a counterparty fails to meet an obligation under a contract. It arises principally from the loans and receivables. Potential customers and new facilities of existing customers are subjected to the loan approval system of the Credit Union. Credit quality follows the Credit Union's policy which is reviewed regularly and amendments, where necessary, are implemented promptly.

Credit Risk Management

Credit risk management is supervised by the Executive Risk and Compliance Committee (ERCC) which comprises members of the Senior Leadership Team and designated technical personnel. Credit risk management functions of the ERCC include:

• Formulation of credit assessment, documentary and legal procedures. This includes administration of internal authorisation limits for personnel with credit risk management responsibilities.

• Responsibility for compliance with regulatory requirements.

• Portfolio performance and reporting in accordance with the Board's approved Credit Risk Appetite.

• Formulation of policy recommendations for consideration by the Board Risk Committee.

Credit Risk Processes

A credit assessment is conducted for each loan application. This assessment determines an applicant's capacity to repay the loan after consideration of other aspects such as projected income minus outgoings such as living expenses and other existing proposed financial commitments. Previous financial conduct and the value and suitability of collateral offered in support of the loan are also considered.

Loan Security

The Consolidated Entity's lending portfolio is primarily comprised of mortgage loans secured by residential properties. All residential properties held as security are physically valued by a registered independent valuer. Lenders mortgage insurance is required where the loan to valuation ratio exceeds 80%. The Consolidated Entity's portfolio also includes unsecured personal loans.

Maximum exposure to credit risk

The Credit Union's maximum credit risk exposure equals the drawndown portion on the Statement of Financial Position and the undrawn portion of all committed facilities of loans and receivables, and is provided by the following table:

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$000's	$000's	**$000's**	$000's
Bank balances	**54,423**	52,741	**54,423**	52,741
Held to maturity investments	**92,342**	76,322	**92,342**	76,322
Loans and advances	**896,775**	843,958	**896,775**	843,958
Unused committed loan facilities	**52,725**	73,890	**52,725**	73,890
Redraw facilities on mortgages	**55,908**	50,513	**55,908**	55,908
Loans approved but not funded	**10,659**	26,113	**10,659**	26,113
	1,162,832	1,123,537	**1,162,832**	1,128,932

Refer to Note 8 for information regarding the carrying value of financial assets measured at amortised cost - past due but not impaired.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Credit risk (continued)

Collateral and other credit enhancements

Loans and advances, except unsecured lines of credit and personal loans, are backed by collateral. The amount and type of collateral required depends on the assessment of the credit risk of the Member. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for retail lending; mortgages over residential properties
- for commercial lending; charges over real estate properties.

Management monitors the market value of collateral.

The terms and conditions of the collateral are specific to individual loan and security types.

It is the Credit Union's policy to dispose of repossessed collateral in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Credit Union does not occupy repossessed properties for business use.

For bank balances and held to maturity investments, the balances are unsecured. The Credit Union has a policy only to invest with counterparties with investment grade ratings and to limit the exposures to them to maximum levels for each counterparty.

Concentrations of credit risk

The Consolidated Entity minimises the concentration of geographic credit risk by undertaking transactions with counterparties across a range of geographic areas. Customers located in New South Wales comprise the largest segment although this is reducing.

Concentrations of the Consoldiated Entity's credit risk by geographic areas are illustrated below:

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	%	%	%	%
New South Wales	57.5	59.8	57.5	59.8
Victoria	22.3	21.2	22.3	21.2
Queensland	13.6	12.4	13.6	12.4
Western Australia	2.9	2.7	2.9	2.7
South Australia	2.0	1.9	2.0	1.9
Tasmania	0.6	0.5	0.6	0.5
Other	1.1	1.5	1.1	1.5
Total	100.0	100.0	100.0	100.0

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the Consolidated Entity has standby funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis incorporating an assessment of expected cash flows.

The Credit Union maintains a portfolio of High Quality Liquid Assets (HQLA) that can be easily liquidated in the event of an unforeseen interruption of cash flow. In July 2013 the Consolidated Entity established its self securitisation program and RBA repo arrangement to enable access to liquidity in a crisis situation. Overall, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Credit Union. The most important of these is to maintain minimum regulatory limits on the ratio of net liquid assets to customer liabilities, set to reflect market conditions. Net liquid assets consists of cash and short term bank certificates of deposits/bills available for immediate sale.

The closing Liquidity ratio during year was 13.24% (2014: 12.18%) versus an APRA prudential minimum of 12%. The Board approved policies covering Liquidity management ensure that adequate buffers, trigger points and contingency arrangements are in place.

Refer to Note 13, 15 and 16 for maturity analysis of financial liabilities.

(d) Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Credit Union cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Credit Union is able to manage these risks to within tolerable limits. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff training and assessment processes; including the use of internal audit.

(e) Fair value risk

The Credit Union uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - the fair value is calculated using quoted prices in active markets.

Level 2 - the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

Interest Rate Swaps

The consolidated entity enters into swaps with various counter parties who have investment grade ratings. The fair value is calculated as the present value of estimated future interest cash flows based on observable yield curves. Other inputs include the credit quality of counterparties and forward rates.

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value risk (continued)

Held to Maturity Financial Assets

The fair value for the held to maturity financial assets is based on the current quoted market price. For those assets where there is no quoted price the fair value is calculated as the present value of estimated future interest cash flows based on observable yield curves.

Loans and Receivables

The fair value is determined by adjusting the fixed rate loan portfolio for current market rates as at balance date. For variable rate loans, the carrying amount is a reasonable estimate of the fair value. The net fair value for fixed rate loans is calculated utilising discount cash flow models based on the maturity of the loans. The discount rates applied were based on current benchmark rate offered for the average remaining term of the portfolio as at June 2015.

Borrowings

Due to the short-term nature of these borrowings, the carrying amount of the Consolidated Entity's bank facility balances including overdraft approximate their fair value.

	Consolidated Entity							
	2015				2014			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets								
Cash	**54,423**	**-**	**-**	**54,423**	52,741	-	-	52,741
Held-to-maturity investments	**-**	**92,342**	**-**	**92,342**	-	76,322	-	76,322
Loans and advances	**-**	**898,483**	**-**	**898,483**	-	852,188	-	852,188
	54,423	**990,825**	**-**	**1,045,248**	52,741	928,510	-	981,251

	Credit Union							
	2015				2014			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Financial assets								
Cash	**54,423**	**-**	**-**	**54,423**	52,741	-	-	52,741
Held-to-maturity investments	**-**	**92,342**	**-**	**92,342**	-	76,322	-	76,322
Loans and advances	**-**	**898,483**	**-**	**898,483**	-	852,188	-	852,188
	54,423	**990,825**	**-**	**1,045,248**	52,741	928,510	-	981,251

Notes in Portavia Trust and Loans and advances are carried at amortised cost

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Fair value risk (continued)

Consolidated Entity

	2015				2014			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Financial liabilities								
Member deposits	**-**	**702,453**	**-**	**702,453**	-	697,521	-	697,521
Interest Rate Swap	**-**	**1,220**	**-**	**1,220**	-	498	-	498
Borrowings	**-**	**242,401**	**-**	**242,401**	-	183,109	-	183,109
	-	**946,074**	**-**	**946,074**	-	881,128	-	881,128

Credit Union

	2015				2014			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	$'000	***$'000***	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*	*$'000*
Financial liabilities								
Member deposits	**-**	**702,453**	**-**	**702,453**	-	697,521		697,521
Interest Rate Swap	**-**	**425**	**-**	**425**	-	205	-	205
Inter-entity borrowings	**-**	**242,903**	**-**	**242,903**	-	183,109		183,109
	-	**945,781**	**-**	**945,781**	-	880,835	-	880,835

Quoted market price represents the fair value based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

For financial instruments not quoted in active markets, the Credit Union uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs, or unobservable inputs that are not significant to the overall valuation, include interest rate swaps. Member deposits and Borrowings are measured at amortised cost.

There were no transfers between Level 1 and Level 2 during the year.

5 REVENUE AND EXPENSES

(a) Interest revenue and interest expense

Consolidated

	Average balance	*Interest*	*Average interest rate*
	$'000	*$'000*	*%*
Interest revenue 2015			
Loans and advances to members	**881,544**	**43,385**	**4.92**
Investment securities	**84,646**	**2,057**	**2.43**
Deposits at call with other financial institutions	**48,064**	**1,659**	**3.45**
	1,014,254	**47,101**	**4.64**
Interest revenue 2014			
Loans and advances to Members	784,796	40,884	5.21
Investment securities	75,568	2,417	3.20
Deposits at call with other financial institutions	44,288	1,093	2.47
	904,652	44,394	4.91
Interest expense 2015			
Member deposits	**729,729**	**20,640**	**2.83**
Overdraft	**1**	**-**	**14.36**
Inter-entity borrowings	**189,290**	**7,204**	**3.81**
	919,020	**27,844**	**3.03**
Interest expense 2014			
Member deposits	688,311	21,810	3.17
Overdraft	6	1	14.52
Inter-entity borrowings	126,766	5,053	3.99
	815,083	26,864	3.30

5 REVENUE AND EXPENSES (continued)

(a) Interest revenue and interest expense (continued)

Credit Union

	Average balance $'000	Interest $'000	Average interest rate %
Interest revenue 2015			
Loans and advances to Members	**881,544**	**43,385**	**4.92**
Investment securities	**84,646**	**2,057**	**2.43**
Deposits at call with other financial institutions	**48,064**	**1,659**	**3.45**
	1,014,254	**47,101**	**4.64**
Interest revenue 2014			
Loans and advances to Members	784,796	40,884	5.21
Investment securities	75,568	2,417	3.20
Deposits at call with other financial institutions	44,288	1,093	2.47
	904,652	44,394	4.91
Interest expense 2015			
Member deposits	**729,729**	**20,640**	**2.83**
Overdraft	**1**	**-**	**14.36**
Borrowings	**189,290**	**7,204**	**3.81**
	919,020	**27,844**	**3.03**
Interest expense 2014			
Member deposits	688,311	21,810	3.17
Overdraft	6	1	14.52
Borrowings	126,766	5,053	3.99
	815,083	26,864	3.30

		Consolidated		Credit Union	
		2015	2014	**2015**	2014
		$'000	$'000	**$'000**	$'000
5	**REVENUE AND EXPENSES (continued)**				
(b)	**Non-interest revenue**				
	Fees and commissions	**446**	535	**446**	535
	Bad debts recovered	**273**	269	**273**	269
	Other income	**749**	677	**247**	479
	Total non-interest revenue	**1,468**	1,481	**966**	1,283
(c)	**Impairment expense**				
	(Decrease)/Increase in impairment losses on loans and advances	**(55)**	112	**(55)**	112
	Bad debts written off directly	**471**	637	**471**	637
	Total bad and doubtful debts expense	**416**	749	**416**	749
(d)	**Employee benefits expense**				
	Wages and salaries	**6,439**	5,902	**6,439**	5,902
	Workers' compensation costs	**48**	124	**48**	124
	Defined contribution superannuation expense	**585**	528	**585**	528
	Other employee benefits expense	**755**	769	**755**	769
	Total employee benefits expense	**7,827**	7,323	**7,827**	7,323
(e)	**Depreciation and amortisation expense**				
	Depreciation of property, plant & equipment				
	Plant and equipment	**118**	122	**118**	122
	Total depreciation of property, plant & equipment	**118**	122	**118**	122
	Amortisation of intangible assets				
	Computer software	**312**	245	**312**	245
	Total amortisation of intangible assets	**312**	245	**312**	245
	Total depreciation and amortisation expenses	**430**	367	**430**	367
(f)	**Other expenses included in the Statement of Comprehensive Income**				
	Origination and lending expenses	**2,340**	2,104	**2,340**	2,104
	Transactional expenses	**826**	1,026	**826**	1,026
	Other administration expenses	**1,854**	2,125	**1,854**	2,125
	Total administration expenses	**5,020**	5,255	**5,020**	5,255

6 INCOME TAX

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
(a) Income tax expense				
The major components of income tax expense are:				
Statement of Comprehensive Income				
Current income tax				
Current income tax charge/(benefit)	**1,436**	716	**1,436**	716
Deferred tax charge/(benefit)	**(130)**	(37)	**(130)**	(37)
Income tax expense reported in the Statement of Comprehensive Income	**1,306**	679	**1,306**	679
(b) Numerical reconciliation between aggregate tax expense recognised in the Statement of Comprehensive Income and tax expense calculated per the statutory income tax rate				
A reconciliation between tax expense and the product of accounting profit before tax multiplied by the Credit Union's applicable income tax rate is as follows:				
Total accounting profit before income tax	**4,146**	2,404	**3,644**	2,404
At the Credit Union's statutory income tax rate of 30% (2014: 30%)	**1,244**	721	**1,244**	721
Adjustments in respect of current income tax of previous years	**71**	(148)	**71**	(148)
Adjustments in respect of deferred tax of previous years	**(13)**	100	**(13)**	100
Non-deductible expenses	**4**	6	**4**	6
Aggregate income tax expense	**1,306**	679	**1,306**	679
(c) Recognised deferred tax assets and liabilities				
Deferred tax at 30 June relates to the following:				
Statement of Financial Position				
(i) Deferred tax liabilities				
Other assets	**(87)**	(100)	**(87)**	(100)
Gross deferred tax liabilities	**(87)**	**(100)**	**(87)**	**(100)**

6 INCOME TAX (continued)

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
(ii) Deferred income tax assets				
Loans and advances	**242**	258	**242**	258
Plant and equipment	**114**	94	**114**	94
Creditors and other liabilities	**365**	271	**365**	271
Employee entitlements	**220**	201	**220**	201
Total	**941**	824	**941**	824
Amounts recognised directly in equity				
Derivatives	**127**	61	**127**	61
Gross deferred tax assets	**1,068**	885	**1,068**	885
Set-off of deferred tax assets/(liabilities)	**(87)**	(100)	**(87)**	(100)
Net deferred income tax assets	**981**	785	**981**	785
Statement of Comprehensive Income				
Deferred income tax charge				
Loans and advances	**16**	(34)	**16**	(34)
Plant and equipment	**(20)**	2	**(20)**	2
Creditors and other liabilities	**(107)**	66	**(107)**	66
Employee entitlements	**(19)**	(10)	**(19)**	(10)
Total	**(130)**	24	**(130)**	24
Amounts recognised directly in equity				
Derivatives	**(66)**	(61)	**(66)**	(61)
Deferred tax (income)/expense	**(196)**	(37)	**(196)**	(37)

(d) Unrecognised temporary differences

At 30 June 2015, there are no unrecognised temporary differences (2014: $nil).

7 CASH AND CASH EQUIVALENTS

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Cash on hand	**1**	1	**1**	1
Cash at bank*	**25,697**	22,645	**25,697**	22,645
Deposits at call with financial institutions	**28,725**	30,095	**28,725**	30,095
	54,423	52,741	**54,423**	52,741

* includes $16.123 million (2014: $11.889 million) of cash in Portavia No.1 Trust and Portavia No.2 Trust not readily available and which is subject to restrictions of the respective Trust Deeds.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represents fair value. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Credit Union, and earn interest at the respective short-term deposit rates.

8 LOANS AND ADVANCES

Lines of credit	**50,653**	57,769	**50,653**	57,769
Term loans	**844,903**	787,049	**844,903**	787,049
Gross loans and advances	**895,556**	844,818	**895,556**	844,818
Add:				
Gross commissions capitalised	**4,839**	3,792	**4,839**	3,792
Accumulated amortisation	**(2,815)**	(1,873)	**(2,815)**	(1,873)
Net commissions capitalised	**2,024**	1,919	**2,024**	1,919
Allowance for impairment loss	**(805)**	(860)	**(805)**	(860)
Net loans and advances	**896,775**	845,877	**896,775**	845,877
Security dissection				
Secured by mortgage	**857,806**	800,620	**857,806**	800,620
Secured other	**4,679**	6,454	**4,679**	6,454
Unsecured	**33,071**	37,744	**33,071**	37,744
	895,556	844,818	**895,556**	844,818
Purpose dissection				
Residential loans	**855,907**	798,477	**855,907**	798,477
Personal loans	**37,750**	44,199	**37,750**	44,199
Commercial loans	**1,899**	2,142	**1,899**	2,142
	895,556	844,818	**895,556**	844,818
Maturity analysis - gross loans and advances*				
Not later than three months	**830**	16	**830**	16
Later than three months but not later than one year	**2,998**	307	**2,998**	307
Later than one year but not later than five years	**54,522**	38,296	**54,522**	38,296
Later than five years	**837,206**	806,199	**837,206**	806,199
	895,556	844,818	**895,556**	844,818

* cashflows are based on contractual obligations

(a) Allowance for impairment loss

A decrease in allowance for impairment loss of $55,000 (2014: increase of $112,000) has been recognised in the 'Impairment expense' line. This provision is in respect of specific debtors and debtors assessed on a collective basis, as described in note 2(g), for which such evidence exists.

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$'000	*$'000*	***$'000***	*$'000*
Movements in the allowance for impairment loss were as follows:				
At 1 July	**860**	748	**860**	748
Charge for the year	**(55)**	112	**(55)**	112
At 30 June	**805**	860	**805**	860
Collective provision	**518**	741	**518**	741
Specific provision	**287**	119	**287**	119
	805	860	**805**	860

8 LOANS AND ADVANCES (continued)

(a) Allowance for impairment loss (continued)

At 30 June, the analysis of loans and advances is as follows:

Neither past due nor impaired*	**869,929**	822,816	**869,929**	822,816
Current				
Past due but not impaired**	**-**	-	**-**	-
Individually impaired	**-**	-	**-**	-
1 - 30 days				
Past due but not impaired**	**19,146**	18,210	**19,146**	18,210
Individually impaired	**-**	-	**-**	-
30 days - 3 months				
Past due but not impaired**	**4,670**	2,489	**4,670**	2,489
Individually impaired	**-**	-	**-**	-
3 months - 1 year				
Past due but not impaired**	**1,524**	1,289	**1,524**	1,289
Individually impaired	**287**	14	**287**	14
	895,556	844,818	**895,556**	844,818

* The credit quality of the financial assets that are neither past due nor impaired is considered of satisfactory standard. The credit quality of the portfolio is monitored on a continual basis through benchmarking delinquency, bankruptcy and write-off trends against historical and industry levels.

** Payment terms on these amounts have not been renegotiated however credit has been stopped until full payment is made. Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full.

The estimation of the fair value of collateral and other security enhancements held against loans and advances in arrears is shown below:

Past due 30 days and over but not impaired	**3,527**	3,790	**3,527**	3,790
Individually impaired	**285**	-	**285**	-

Management monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

8 LOANS AND ADVANCES (continued)

(b) Concentration of loans

Individual loans which exceed 5% of Members' funds in aggregate amount to $nil in 2015 (2014: $nil).

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Geographic areas-residence and/or employed within:				
New South Wales	**514,489**	505,129	**514,489**	505,129
Victoria	**199,433**	179,197	**199,433**	179,197
Queensland	**121,432**	105,101	**121,432**	105,101
Western Australia	**25,950**	22,632	**25,950**	22,632
South Australia	**17,496**	16,319	**17,496**	16,319
Tasmania	**5,145**	4,056	**5,145**	4,056
Other	**11,611**	12,384	**11,611**	12,384
	895,556	844,818	**895,556**	844,818

(c) Fair value

The *carrying amount* of loans and advances are as follows:				
Lines of credit	**50,653**	57,769	**50,653**	57,769
Term loans	**844,903**	787,049	**844,903**	787,049
	895,556	844,818	**895,556**	844,818
The *fair values* of loans and advances are as follows:				
Lines of credit	**50,676**	57,218	**50,676**	57,218
Term loans	**847,807**	794,970	**847,807**	794,970
	898,483	852,188	**898,483**	852,188

The fair values are based on cash flows discounted at a rate reflecting current market rates adjusted for counter party credit risk.

9 OTHER ASSETS

Prepayments	**315**	449	**315**	449
Sundry debtors	**34**	146	**34**	146
	349	595	**349**	595

10 HELD TO MATURITY FINANCIAL INVESTMENTS

Negotiable Certificates of Deposits	**64,606**	76,322	**64,606**	76,322
Floating Rate Notes	**27,736**	-	**27,736**	-
	92,342	76,322	**92,342**	76,322

10 HELD TO MATURITY FINANCIAL INVESTMENTS (continued)

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Maturity analysis				
< 3 months	**25,315**	42,558	**25,315**	42,558
3 months - 6 months	**44,918**	23,028	**44,918**	23,028
6 months - 1 year	**2,458**	10,736	**2,458**	10,736
> 1 year	**19,651**	-	**19,651**	-
Total	**92,342**	76,322	**92,342**	76,322

Due to the short-term nature, the carrying amount of the held-to-maturity financial investments approximate their fair value.

11 PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2015	Consolidated 2014	Credit Union 2015	Credit Union 2014
Plant and equipment				
At cost	**621**	593	**621**	593
Accumulated depreciation	**(412)**	(355)	**(412)**	(355)
Net carrying amount	**209**	238	**209**	238
Leasehold property improvements				
At cost	**7**	-	**7**	-
Accumulated depreciation	**(1)**	-	**(1)**	-
Net carrying amount	**6**	-	**6**	-
Total property, plant and equipment				
At cost	**628**	593	**628**	593
Accumulated depreciation and impairment	**(413)**	(355)	**(413)**	(355)
Net carrying amount	**215**	238	**215**	238
Reconciliation of carrying amounts at the beginning and end of the period				
Plant and equipment				
Balance at the beginning of the year	**238**	269	**238**	269
Additions	**88**	91	**88**	91
Depreciation charge for the year	**(117)**	(122)	**(117)**	(122)
Balance at the end of the year - Net carrying amount	**209**	**238**	**209**	**238**
Leasehold property improvements				
Balance at the beginning of the year	**-**	**-**	**-**	**-**
Additions	**7**	**-**	**7**	**-**
Depreciation charge for the year	**(1)**	-	**(1)**	-
Balance at the end of the year - Net carrying amount	**6**	**-**	**6**	**-**
Total Property, plant and equipment				
Balance at the beginning of the year	**238**	269	**238**	269
Additions	**95**	91	**95**	91
Depreciation charge for the year	**(118)**	(122)	**(118)**	(122)
Balance at the end of the year - Net carrying amount	**215**	238	**215**	238

12 INTANGIBLE ASSETS

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Work in Progress				
At Cost	**180**	179	**180**	179
Net carrying amount	**180**	179	**180**	179
Computer software				
At Cost	**2,013**	1,864	**2,013**	1,864
Accumulated amortisation	**(1,389)**	(1,082)	**(1,389)**	(1,082)
Net carrying amount	**624**	782	**624**	782

Reconciliation of carrying amount at beginning and end of the period
Work in Progress

	Consolidated 2015	Consolidated 2014	Credit Union 2015	Credit Union 2014
Balance at the beginning of the year	**179**	193	**179**	193
Additions	**170**	431	**170**	431
Disposals (net of accumulated depreciation)	**(169)**	(445)	**(169)**	(445)
Balance at the end of the year - Net carrying amount	**180**	179	**180**	179
Computer software				
Balance at the beginning of the year	**782**	611	**782**	611
Additions	**154**	418	**154**	418
Disposals (net of accumulated depreciation)	**-**	(2)	**-**	(2)
Amortisation	**(312)**	(245)	**(312)**	(245)
Balance at the end of the year - Net carrying amount	**624**	782	**624**	782
Total Intangible Assets				
Balance at the beginning of the year	**961**	804	**961**	804
Additions	**324**	849	**324**	849
Disposals (net of accumulated depreciation)	**(169)**	(447)	**(169)**	(447)
Amortisation	**(312)**	(245)	**(312)**	(245)
Balance at the end of the year - Net carrying amount	**804**	961	**804**	961

13 MEMBER DEPOSITS

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Call deposits	**246,217**	224,912	**246,217**	224,912
Term deposits	**456,181**	471,195	**456,181**	471,195
Withdrawable shares	**55**	59	**55**	59
	702,453	696,166	**702,453**	696,166

(a) Undiscounted Maturity analysis of Member deposits

At call	**246,272**	224,971	**246,272**	224,971
< 3 months	**264,237**	308,961	**264,237**	308,961
3 months - 6 months	**108,663**	100,757	**108,663**	100,757
6 months - 1 year	**55,121**	42,367	**55,121**	42,367
1 - 5 years	**28,160**	19,110	**28,160**	19,110
	702,453	696,166	**702,453**	696,166

(b) Concentration of Member deposits

No individual Member deposits represent 5% or more of the total liabilities of the Credit Union.

(c) Fair value

The fair values of Member deposits are as follows:

Call deposits	**246,217**	224,912	**246,217**	224,912
Term deposits	**456,181**	472,550	**456,181**	472,550
Withdrawable shares	**55**	59	**55**	59
	702,453	697,521	**702,453**	697,521

Discounted cash flows (based upon the deposit type and its related maturity) were used to calculate the fair value.

(d) Interest rate and liquidity risk

Information regarding the liquidity risk and effective interest rate risk of Member deposits is set out in Note 4.

14 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Consolidated Entity in the normal course of business in order to hedge exposure to fluctuations in interest rates. Offsetting financial assets and financial liabilities does not apply to the Consolidated Entity.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate.

During the year interest rate swap contracts have been taken out by the Credit Union, the Portavia Trust No.1 and the Portavia Trust No.2 with other financial institutions. These entities pay a fixed rate of interest in return for a floating rate receipt. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

14 DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2015, the Credit Union had a $25 million non-amortising interest rate swap in place with the Commonwealth Bank of Australia. The swaps in the Portavia Trust No.1 and the Portavia Trust No.2 have amortising profiles which mirror the expected amortising profiles of the underlying fixed rate loans and therefore change over the term of the swap. The Notional Amounts included in the table below represent the total notional amounts for the Credit Union, the Portavia Trust No.1 and Portavia Trust No.2 as at 30 June 2015.

The following shows the fair values of derivative financial instruments, recorded as liabilities, together with their notional amounts.

Derivatives used as cash flow hedges	*Consolidated*		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$'000	*$'000*	***$'000***	*$'000*
Interest rate swaps				
- Fair value liability	**1,220**	498	**425**	205
- Notional amount	**103,384**	89,745	**25,000**	25,000

Cash flow hedges

The Credit Union is exposed to variability in future interest cash flows on non-trading assets and liabilities. The Credit Union uses interest rate swaps as cash flow hedges of these interest rate risks.

Below is a schedule indicating as at 30 June, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss:

	Consolidated		*Credit Union*	
	Within 1 year	**1 - 3 years**	**Within 1 year**	**1 - 3 years**
2015	***$'000***	***$'000***	***$'000***	***$'000***
Cash inflow	**1,948**	**2,125**	**401**	**947**
Cash outflows	**(2,598)**	**(2,820)**	**(587)**	**(1,370)**
Net cash flows	**(650)**	**(695)**	**(186)**	**(423)**
2014				
Cash inflow	2,043	3,151	677	1,258
Cash outflows	(2,341)	(3,527)	(789)	(1,370)
Net cash flows	(298)	(376)	(112)	(112)

In 2015, nil (2014: nil) was recognised in the profit or loss due to hedge ineffectiveness from cash flow hedges.

15 TRADE PAYABLES

	Consolidated		Credit Union	
	2015	*2014*	**2015**	*2014*
	$'000	*$'000*	**$'000**	*$'000*
Creditors and accruals	**3,084**	4,056	**3,084**	4,056
	3,084	4,056	**3,084**	4,056
Undiscounted Maturity analysis of Creditors and accruals:				
Less than 3 months	**2,994**	3,966	**2,994**	3,966
More than 3 months	**90**	90	**90**	90
Total	**3,084**	4,056	**3,084**	4,056

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

The payables are non-trade, non-interest bearing and have an average term of 14 days.

16 INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated		Credit Union	
	2015	*2014*	**2015**	*2014*
	$'000	*$'000*	**$'000**	*$'000*
(a) Bank borrowings				
Bank borrowings	**242,401**	183,109		
	242,401	183,109	**-**	-

The Consolidated Entity's bank borrowings relate to funding provided to Portavia No. 1 Trust from Westpac Banking Corporation ("Westpac"). The facility is typically renewed annually and its next maturity date is 19 December 2015. The undiscounted value is assumed to approximate the fair value.

The Consolidated Entity also has an unsecured bank overdraft with the Commonwealth Bank of Australia ("CBA") which is undrawn at reporting date and can be drawn at any time.

	Consolidated		Credit Union	
	2015	*2014*	**2015**	*2014*
(b) Inter-entity borrowings				
Inter-entity borrowings			**242,903**	183,109
	-	-	**242,903**	183,109

The inter-entity loan in the Credit Union relates to securities issued and derivatives of the Portavia No.1 Trust and Portavia No. 2 Trust.

16 INTEREST-BEARING LOANS AND BORROWINGS (continued)

(c) Undiscounted Maturity analysis of interest bearing loans and borrowings

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Bank borrowings	**242,401**	183,109	**-**	-
Inter-entity borrowings	**-**	-	**242,903**	183,109
	242,401	183,109	**242,903**	183,109
Undiscounted Maturity analysis of bank borrowings:				
Less than 3 months	**-**	-	**-**	-
3 months - 6 months	**242,401**	183,109	**242,903**	183,109
More than 6 months	**-**	-	**-**	-
Total	**242,401**	183,109	**242,903**	183,109

(d) Fair values

Due to the short-term nature of these borrowings, the carrying amount of the Consolidated Entity's bank facility balances including overdraft approximate their fair value.

(e) Financing facilities available

At reporting date, the following balances facilities were available. The committed facility is the Portavia Trust - Westpac warehouse notes program.

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Total facilities				
Bank overdraft	**1,100**	1,100	**1,100**	1,100
Committed facility	**250,000**	200,000	**250,000**	200,000
	251,100	201,100	**251,100**	201,100
Facilities used at reporting date				
Bank overdraft	**-**	-	**-**	-
Committed facility	**242,401**	183,109	**242,401**	183,109
	242,401	183,109	**242,401**	183,109
Facilities unused at reporting date				
Bank overdraft	**1,100**	1,100	**1,100**	1,100
Committed facility	**7,599**	16,891	**7,599**	16,891
	8,699	17,991	**8,699**	17,991

(f) Assets pledged as security

At the reporting date, there were no assets pledged as security for interest bearing liabilities.

(g) Interest rate risk

Information regarding the interest rate risk of the interest bearing loans and borrowings is set out in Note 4.

(h) Defaults and breaches

During the current and prior years, there were no defaults or breaches on any of the loans or loan conditions.

17 PROVISIONS

	Consolidated		Credit Union	
	2015	*2014*	**2015**	*2014*
	$'000	*$'000*	**$'000**	*$'000*
Annual leave	**372**	347	**372**	347
Long service leave	**362**	323	**362**	323
Lease make-good	**201**	158	**201**	158
	935	828	**935**	828

Movements in provisions

Movements in the provision during the financial year, for long service leave and lease make good, are set out below:

	Lease Make-good	**Long Service Leave**	**Lease Make-good**	**Long Service Leave**
	$'000	**$'000**	**$'000**	**$'000**
At 1 July 2014	158	323	158	323
Arising during the year	43	39	43	39
At 30 June 2015	**201**	**362**	**201**	**362**

In accordance with the lease agreement, the Credit Union must restore the leased premises in Sydney to its original condition at the end of the lease term. A provision of $43,000 was raised during the year ended 30 June 2015 (2014: $43,000) in respect of the Credit Union's obligation to remove leasehold improvements from leased premises.

Adjustment in relation to the provision for long service leave relates to the movement in the discounting and probability weighting factor of long service leave balances based on the expected service of employees and their years of employment service with the Credit Union.

18 RESERVES

	Consolidated	*Credit Union*
Cash flow hedge reserves	*$'000*	**$'000**
At 30 June 2013	**(95)**	**-**
Net unrealised gain/(loss) on cash flow hedges	**(341)**	**(143)**
Net gain/(loss) on cash flow hedges reclassified to profit or loss	**-**	**-**
At 30 June 2014	**(436)**	**(143)**
Net unrealised gain/(loss) on cash flow hedges	**(657)**	**(155)**
Net gain/(loss) on cash flow hedges reclassified to profit or loss	**-**	**-**
At 30 June 2015	**(1,093)**	**(298)**

19 CAPITAL MANAGEMENT

The Credit Union is licensed as an Australian Deposit-Taking Institution (ADI) under the Banking Act and is subject to prudential supervision by APRA. APRA has issued a series of prudential standards to implement the Basel II capital framework.

The Basel II Standards include APS 110 Capital Adequacy which:

(a) Imposes on the Board a duty to ensure that the Credit Union maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Credit Union is exposed from its activities;

(b) Obliges the Credit Union to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

There are three pillars to the Basel II capital framework -

Pillar 1 - involves specific capital charges for credit risk, operational risk, and the risk of financial market trading activities.

Pillar 2 - involves the Credit Union making an assessment of any additional capital necessary to cover other risks not included in Pillar 1.

Pillar 3 - involves increased reporting by the Credit Union to APRA.

The Credit Union's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes general reserves and current year earnings.
- Tier 2 capital, which includes tier 2 capital of the general reserve for credit losses.

Various limits are applied to elements of the capital base. APRA may require an ADI to hold more than 50% of its required prudential capital in the form of Tier 1 capital and there are restrictions on the amount of collective impairment allowances that may be included as part of Tier 2 capital. Other deductions from capital include deferred tax assets and intangible assets.

	2015	*2014*
	$'000	*$'000*
Regulatory capital		
Tier 1 capital	**89,910**	89,068
Tier 2 capital	**2,187**	2,222
Capital Base	**92,097**	91,290
Risk weighted assets	**485,160**	468,775
Capital adequacy ratios	**18.98%**	19.47%

During the period the Credit Union has complied with all externally imposed capital requirements.

Basel III

The Credit Union continues to monitor developments in regards to APRA's implementation of the Basel III capital requirements on its operations in accordance with APRA's timetable and expectations.

20 CASH FLOW STATEMENT RECONCILIATION

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$'000	*$'000*	***$'000***	*$'000*
Reconciliation of net profit after tax to net cash flows from operations				
Profit for the year	**2,840**	1,725	**2,338**	1,527
Adjustments for:				
Depreciation and amortisation	**430**	367	**430**	367
Bad debts written off	**471**	637	**471**	637
Net (profit)/loss on disposal of property, plant and equipment	**-**	31	**-**	31
Movement in allowance for impairment loss	**(53)**	113	**(53)**	113
Deferred tax attributed directly to equity	**66**	61	**66**	61
Fair value adjustment on acquired deposits	**-**	-	**502**	198
Changes in assets and liabilities				
(Increase)/Decrease in other assets	**656**	245	**656**	245
(Increase)/Decrease in deferred tax assets	**(283)**	(37)	**(283)**	(37)
(Increase)/Decrease in accrued interest on investments	**(62)**	(122)	**(62)**	(122)
(Increase)/Decrease in Investments	**(15,958)**	1,411	**(15,958)**	1,411
(Increase)/Decrease in loans and advances	**(52,486)**	(90,017)	**(52,486)**	(90,017)
(Decrease)/Increase in current tax liability	**839**	(408)	**839**	(408)
(Decrease)/Increase in provisions	**107**	77	**107**	77
(Decrease)/Increase in trade creditors and other liabilities	**(97)**	2,203	**(97)**	2,203
(Decrease)/Increase in deposits	**6,389**	36,134	**6,389**	36,134
Net cash flows from/(used in) operating activities	**(57,141)**	(47,580)	**(57,141)**	(47,580)

21 COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Leasing commitments

Operating lease commitments – Credit Union as lessee

The Credit Union leases office premises at Level 16, 2 Market Street, Sydney. The lease has a life of 8 years expiring on 31 October 2018. There are no restrictions placed upon the lessee by entering into this lease.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$'000	*$'000*	***$'000***	*$'000*
Within one year	**1,082**	1,040	**1,082**	1,040
After one year but not more than five years	**3,513**	4,595	**3,513**	4,595
After more than five years	**-**	-	**-**	-
Total minimum lease payments	**4,595**	5,635	**4,595**	5,635
(ii) Capital expenditure commitments				
Contracted but not provided for and payable within one year	**-**	-	**-**	-
(iii) Outstanding loan commitments				
Member loans approved but not funded	**10,659**	26,113	**10,659**	26,113

There is no certainty that all unfunded loans will ultimately be funded.

(iv) Outstanding line of credit commitments				
Member line of credit facilities approved but not funded	**52,725**	73,890	**52,725**	73,890
(v) Outstanding redraw commitments				
Member loan facilities where the outstanding loan balance is lower than the scheduled balance and the prepaid amount is subject to being redrawn	**55,908**	50,513	**55,908**	50,513

The Credit Union retains the right, at any time, to reduce or withdraw an approved line of credit limit or facility.

(b) Contingencies

As at 30 June 2015 and 2014, there are no significant contingent liabilities.

22 AUDITORS' REMUNERATION

The auditor for the Consolidated Entity is Ernst & Young.

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$	$	**$**	$
• an audit or review of the financial report of the entity	**184,513**	179,139	**184,513**	179,139
• other services in relation to the entity				
- tax compliance	**24,860**	31,329	**24,860**	31,329
- Audit related services	**11,000**	43,692	**11,000**	43,692
	220,373	254,159	**220,373**	254,159

23 KEY MANAGEMENT PERSONNEL

(a) Compensation of Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Credit Union, directly or indirectly, including any Director (whether executive or otherwise).

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$	$	**$**	$
Short-term	**1,278,113**	1,229,935	**1,278,113**	1,229,935

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

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

(b) Loans to Key Management Personnel

The aggregate value of loans to Key Management Personnel as at balance date

	Consolidated		Credit Union	
	2015	2014	**2015**	2014
	$	$	**$**	$
(i) Personal loans - secured	**94,451**	98,213	**94,451**	98,213
Term Loans - secured	**2,611,208**	2,561,120	**2,611,208**	2,561,120
	2,705,659	2,659,333	**2,705,659**	2,659,333

23 KEY MANAGEMENT PERSONNEL (continued)

(b) Loans to Key Management Personnel (continued)

(ii) During the year the aggregate value of loans disbursed to Key Management Personnel amounted to:

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$	*$*	***$***	*$*
Personal loans - secured	**102,851**	174,276	**441,270**	174,276
Term Loans - secured	**130,000**	350,000	**130,000**	350,000
	232,851	524,276	**571,270**	524,276
(iii) During the year the aggregate value of repayments received amounted to:	**298,353**	321,551	**298,353**	321,551
(iv) Interest and other revenue earned on loans and revolving credit facilities to Key Management Personnel:	**111,828**	135,693	**111,828**	135,693

Secured loans are secured against residential property. All loans advanced to Key Management Personnel are to be settled in cash and are issued under the same terms and conditions as other Members.

Terms and conditions of loans
The Credit Union's policy for lending to Key Management Personnel is that all loans are approved and deposits accepted on the same terms and conditions that applied to Members for each class of loan or deposit. There are no impaired loans relating to loan balances with Key Management Personnel.

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

(c) Other transactions and balances with Key Management Personnel and their related parties

	Consolidated		*Credit Union*	
	2015	*2014*	***2015***	*2014*
	$	*$*	***$***	*$*
Total value term and savings deposits from Key Management Personnel	**1,105,604**	1,133,125	**1,105,604**	1,133,125
Total interest paid on deposits to Key Management Personnel	**25,021**	29,637	**25,021**	29,637

The Credit Union's policy for receiving deposits from Key Management Personnel is that all transactions are approved and deposits accepted on the same terms and conditions that applied to Members for each type of deposit. There are no benefits paid or payable to the close family members of Key Management Personnel.

24 GROUP CONTROLLED ENTITY HOLDINGS

Details of controlled entities are as follows:

Name of Entity	% Holdings		Note
	2015	2014	
Portavia Trust No.1	100	100	1, 2
Portavia Trust No.2	100	100	1, 3

(1) The Credit Union holds 100% of participating residual income units.
(2) Established 8 December 2011.
(3) Established 10 July 2013.

25 EVENTS AFTER BALANCE SHEET DATE

b

26 ECONOMIC DEPENDENCY

The term “economic dependency” means that a change in existing relationships could have an economic effect on the Consolidated Entity. It does not mean that the Consolidated Entity is economically supported by the listed organisations in any way, whether financially or by guarantee, other than by means of normal commercial arrangements.

The Consolidated Entity has an economic dependency on the following:

(a) The Commonwealth Bank of Australia (CBA)
CBA is a provider of banking facilities to the Credit Union.

(b) Westpac Banking Corporation
This company provides a debt warehouse facility for the Portavia Trust No.1.

(c) Data Action Pty Limited
This company provides and maintains the core banking system and internet banking utilised by the Credit Union.

(d) NST Worldwide Pty Limited
This company provides technical management and support for the office IT Infrastructure, office Help Desk and Member internet site (non-banking site only).

(e) Australian Settlements Limited (ASL)
This company provides a range of transactional settlement support processes, particularly in relation to the Credit Union's Visa Debit Card offering.

(f) Reserve Bank of Australia (RBA)
The Credit Union has access to the RBA's "repo" arrangement, which allows it to draw funding at short notice under a crisis liquidity situation.

In accordance with a resolution of the Directors of Gateway Credit Union, I state that:

In the opinion of the Directors:

(a) the financial statements and notes of the Credit Union and Consolidated Entity are in accordance with the *Corporations Act 2001* , including:

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

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

(b) the financial statements and notes also comply with the International Financial Reporting Standards as disclosed in Note 2;

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

On behalf of the Board

C M Hallinan
Chairman

John B Flynn
Deputy Chairman

Sydney, 22 September 2015

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Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the members of Gateway Credit Union Limited

Report on the financial report

We have audited the accompanying financial report of Gateway Credit Union Limited, which comprises the statements of financial position as at 30 June 2015, the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

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Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

a. the financial report of Gateway Credit Union Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2015 and of their performance for the year ended on that date; and

    ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Ernst & Young

Andrew Harmer
Partner
Sydney
22 September 2015

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Gateway Credit Union Ltd
and its Controlled Entity
ABN 47 087 650 093

Branch/Head Office
Level 16, 2 Market Street
Sydney NSW 2000

T 1300 302 474
F 02 9307 4299

gatewaycu.com.au
memberservices@gatewaycu.com.au

ABN 47 087 650 093
AFSL/ACL 238293