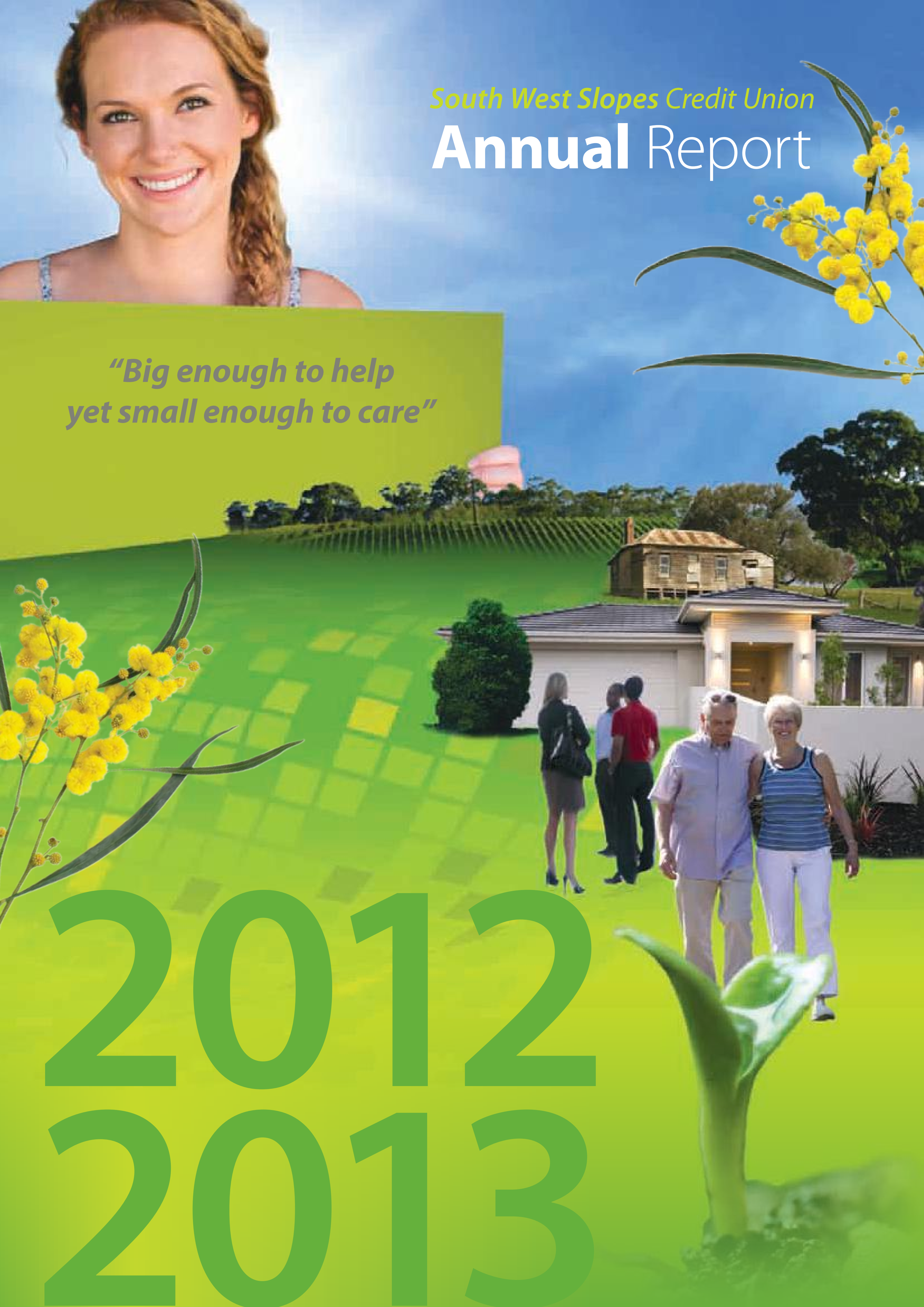


South West Slopes Credit Union

Annual Report

"Big enough to help yet small enough to care"

2012 2013

Our Mission

"To provide the best mutual banking service for our members"

Our Vision

"To be the best banking choice available to our community"

LOCATIONS

BRANCHES

Young
(Registered Office)

89 Boorowa Street
Young NSW 2594
Phone: 02 6384 1111
Fax: 02 6382 1744

Cootamundra

268 Parker Street
Cootamundra
NSW 2590
Phone: 02 6942 4144
Fax: 02 6942 4110

Temora

171 Hoskins Street
Temora NSW 2666
Phone: 02 6978 1014
Fax: 02 6978 1016

West Wyalong

147 Main Street
West Wyalong
NSW 2671
Phone: 02 6972 4400
Fax: 02 6972 4422

AGENCIES

Harden

Harden Newsagency
26 Neill Street
Harden NSW 2587
Phone: 02 6386 2333

Boorowa

Andrew Mitchell Real Estate
34 Marsden Street
Boorowa NSW 2586
Phone: 02 6385 3337

TELEPHONE BANKING

Call Local Branch and Select Option 1 (one)

INTERNET

www.swscu.com.au

MEET THE STAFF

Staff at Young - ***left to right:*** Vicki Maxwell, Elke Cleverdon, Kylie Denniss, Karen Bedford (back), Rebecca Eastlake, Sandra Noble, Jayson Smith (back), Joan Trudgett, Erin Anderson, Mathew McKnight (back), Nadine Woods, Steve Elsley, Matthew Hall (back), Gai Shoard, Brooke Waugh, Eden Langlands, Janice (Jackie) New, Catherine Sheather, Narelle White and Karen Aston. ***Staff absent on the day:*** Megan Tate and Suzanne James.

Staff at Cootamundra –
left to right: Scott Meale, Amanda Ingham, Shanlee Perry*, Kellyann Connell. Shanlee Perry left in March 2013.

Staff at West Wyalong –
left to right: Minnie Davies, Lynne Kelly and Michelle Potter. ***Staff absent on the day:*** Melanie Ratcliff.

Staff at Temora
left to right: Wendy Reardon, Lyn Wells, Darryl Evans, Helen Krause, Michelle Derrick.

'Ask us today how much you can save, let us nurture your financial future.'

CONTENTS

FINANCIAL STATEMENTS

South West Slopes Credit Union Ltd
A.C.N 087 650 673

Australian Credit Licence No
240712

Registered Office
89 Boorowa Street, Young NSW 2594

Solicitors
K.P. Carmody & Co. Solicitor & Attorneys

Bankers
CUSCAL & National Australia Bank

Auditors
KPMG (Wollongong)

MEET THE DIRECTORS

Demographic Profile:

Name:
Brian Page
Generation:
Silent Generation
Place of Birth:
Botany - Sydney
Home Town at Present:
Young
Marital Status:
Married
Children:
Four
Current Profession:
Retired
Business or professional experience:
Plumber, Local Government Health and Building Inspection, Town planning and Local Government.
Professional memberships you currently hold:
Member, Australian Mutuals Institute.

Demographic Profile:

Name:
Keith Carmody
Generation:
Baby Boomer
Place of Birth:
Sydney
Home Town at Present:
Young
Marital Status:
Married
Children:
Three
Current Profession:
Solicitor in private practice
Business or professional experience:
Graduated 1973 LLB Sydney University, Commenced legal practice in Young and Harden as sole practitioner in 1976
Professional memberships you currently hold:
Member, Australian Mutuals Institute.

Demographic Profile:

Name:
Lauren Peek
Generation:
Baby Boomer
Place of Birth:
Dubbo
Home Town at Present:
Young
Marital Status:
Married
Children:
Two
Current Profession:
Business Operator
Business or professional experience:
1981 Started working with David Good Photography, 1984 went into partnership to start a framing business called Framaruma, 1987 bought David Good out and expanded into Framaglass.

Demographic Profile:

Name:
Craig McTavish
Generation:
Generation X
Place of Birth:
Cootamundra
Home Town at Present:
Cootamundra
Marital Status:
Married
Children:
Three
Current Profession:
Accountant/ Business Adviser
Business or professional experience:
10 years in Public Practice. 22 years working in the industry..
Professional memberships you currently hold:
CPA Australia.

Demographic Profile:

Name:
Adrian Hanrahan

Generation:
Baby Boomer

Place of Birth:
Nyngan

Home Town at Present:
Young

Marital Status:
Married

Children:
Three

Current Profession:
Retired

Business or professional experience:
40 years in Local Government which included 26 years as a General Manager.
President Young Golf Club.

Demographic Profile:

Name:
Kevin Cloake

Generation:
Baby Boomer

Place of Birth:
Glen Innes NSW

Home Town at Present:
Young

Marital Status:
Married

Children:
Three

Current Profession:
Harden Shire Council
Administration since 2003.

Business or professional experience:
Employed for 21 years Commonwealth Bank, since then 15 years administration & accounts experience.

Professional memberships you currently hold:
Member Australian Mutuals Institute.

Organisations, clubs, or associations to which you belong:
Honorary auditor for Combined Pensioners & Superannuants Young branch.

A WORD FROM THE CHAIR

THE PAST YEAR

The current circumstances of record low interest rates and reduced loan demand has resulted in SWSCU experiencing a slowing of growth. However I am pleased to be able to report that SWSCU remains in a sound financial position whilst maintaining interest rates on loans and investments that are equal or better than our competitors. SWSCU performance is the envy of our peers and unlike the major banks we are not reliant on a plethora of fees to bolster profitability.

Sponsorship and support for community organisations and sporting bodies totalled $98,000 for the year.

Mobile banking was successfully introduced and many members have commented favourably on this service.

Solar panels have been installed at the Young and Cootamundra offices, as the majority of power usage is during daylight hours, it is anticipated the cost of the installations will be recouped within three years from the saving of electricity, confirmation that SWSCU not only cares for members but also the environment. The loans portfolio was also expanded to offer GREEN LOANS enabling members to finance a range of options to reduce electricity usage.

Regrettably the problem with ATM maintenance continues, whilst SWSCU owns the units we are reliant on our industry body to monitor the maintenance contract and Armaguard for cash refills. In spite of numerous complaints and consultation the service, although costly, fails to meet an acceptable standard.

REGULATORY AND ASSOCIATED SERVICES

The regulatory burden continues to increase with requirements to hold increased capital reserves and provide additional information in reports relating to the Federal Government Savings Guarantee Scheme. Fortunately SWSCU has the resources to meet these requirements but the result is increased operating cost and outlay for a new computer program to be written.

A new three year contact was entered into with Internal Auditors, Morse Group (now Intentus), following the completion of their initial three year term, whilst External Auditors, KPMG, continue to provide an excellent service in fulfilling the contract that was renewed during 2012.

DEVELOPMENTS WITHIN THE INDUSTRY

Abacus (Australian Building and Credit Union Society) has renamed as COBA (Community Owned Banking Association) this was unexpected as previously mutual's have been at pain to differentiate themselves from banks. However the organisation is of the opinion that the majority of people have a better understanding of the term "community owned bank" rather than "a mutual credit union or building society". So SWSCU is now a member of COBA but prevented by Regulation to use the term "bank" in our title. But not to worry nothing changes still locally owned and operated providing the services you need and there is no sharing profits with an "out of town bank" that like to claim they are a "community bank".

Merges continue as smaller credit unions struggle to maintain relevance and profitability in the current economic circumstances. SWSCU has no need to contemplate a merger but should an offer arise the Board must consider whether it is in the best interests of members, if considered it is, the proposal is submitted to members to vote for or against.

The industry could not reach agreement on another series of advertisements so SWSCU joined with six other credit unions in the Central West Region to develop an alternate campaign. General consensus is that the campaign was successful and further joint ventures will be considered.

THE BOARD

In accordance with the requirements of the Corporations Act and the SWSCU Constitution the Board has resolved that the number of directors will remain at six.

THE COMING YEAR

My report for 2011/12 noted that SWSCU may need to find an alternate provider for banking IT as the current provider may cease to offer this service; this would be a costly and time consuming process. Whilst a final decision has been postponed it still remains a possible outcome, so management continue in discussion with other users and potential alternate providers.

Consideration will also be given to the possible adoption of "contactless payment" technology for members using either or both Visa Card and mobile phone.

In closing I wish to express my gratitude for the support given to me by management, staff and directors and the loyalty of members who all contribute to the success of SWSCU.

Brian Page
Chairman
Board of Directors

Amanda Ingham
(Miss Wattle)

Brooke Waugh
(Cherry Queen entrant)

GENERAL MANAGER'S REPORT

The challenging conditions I spoke of in last years report have continued with the Reserve Bank of Australia reducing the official cash rate by a further 1.00% throughout the year in an attempt to kick start the economy. The challenge that this presents to the credit union is one of balancing the desires of our investing members to receive a competitive interest rate on their investments against our borrowing members wishes to have access to the cheapest possible loans.

The credit union relies solely on members investments to fund its loans. Therefore one cannot exist without the other.

Despite these challenges the credit union grew the total loan portfolio by 9.37% to $102 million and increased total deposits by 2.13% to $109.4 million, which is a reflection of the confidence our communities have in the member owned, local financial institution.

The net profit after tax of $1.18 million is slightly down on last year however is considered a sound result in the current economic climate.

Competition for deposits from existing Authorised Deposit-taking Institutions (ADI's) has remained strong and the threat of the non traditional players continues. Even the CEO's of the major banks have now acknowledged that they expect fierce competition from the companies like Google, Apple, Paypal and mobile phone providers.

Recent press has also confirmed that retail giant Coles has applied to APRA , and is close to being granted, an ADI's licence to supplement their dominance in the retail sector.

Throughout the year the credit union has continued to expand its product range and member access facilities with further expansion of our school banking product, the development of a "Green Loan" product and the launch of a mobile banking application for mobile phones and tablets.

The mobile app allows members to view account balances, check the most recent 50 transactions, transfer funds to saved payees and billers, operate from linked accounts and initiate BPAY payments. It is anticipated that function capability of this application will be enhanced over time to include services such as ATM locator, budgeting functionality, loan repayment calculators and possible alerts regarding account balances, term deposit maturities, payroll receipts etc.

Developments expected over the next 12 months will include the re-introduction of the electronic delivery of member statements, Visa Paywave for contactless payments and the restoration of the reliability of the credit union ATM's.

South West Slopes Credit Union is a member owned mutual financial organisation not only committed to supplying competitive banking products to its members but also supporting the communities that we serve. This commitment is demonstrated through the credit unions generous sponsorship program and staff employment and development scheme.

The credit union currently employs 35 staff across its four branches with each staff member encouraged and supported to undertake training in financial services. A recent staff skills audit revealed the following qualifications are held;

- **ASIC Tier 2**
  17 employees
- **Certificates III in Financial Services**
  17 employees
- **Certificate IV in Financial Services**
  1 employee + 1 pending completion
- **Diploma in Financial Services**
  1 employee + 1 pending completion
- **Diploma in Accounting**
  1 employee close to completion
- **Diploma Governance / AICD**
  1 employee
- **Degrees Bachelor of Business or equiv**
  2 employees (+ 2 cadets commenced)
- **Post Graduate qualifications (CPA)**
  1 employee
- **Masters**
  1 employee enrolled.

Over the last 12 months the credit union awarded 2 cadetships to local students which allow them to continue to study, remain living in their local communities and gain first hand on the job experience.

These cadets work at the credit union 3 days per week allowing them 2 days per week to complete their studies.

As can been seen from the financial data contained within this report, your credit union is in a sound position to face the challenges of the future and remain "big enough to help yet small enough to care."

In conclusion I thank our loyal membership for the support and confidence they have entrusted in their local financial institution and the Directors and Staff for their guidance and support.

Steve Elsley
General Manager
Society Secretary

DIRECTOR'S REPORT

The directors present their report together with the financial report of South West Slopes Credit Union Ltd ("the Credit Union") for the financial year ended 30 June 2013 and the auditor's report thereon.

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

INFORMATION ON DIRECTORS

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

Name	Position	Experience, Responsibilities and other directorships
Brian Page	Chair of the Board Independent Non-Executive Director Member of Governance & Policy Review Committee	Director of SWSCU from 1978-1981 and 2000 until current –16 years Director Environmental Services – Young Shire Council (Retired 2001), former health inspector Membership of AMI (Australian Mutuals Institute) No other directorships within the last 3 years
Keith Carmody LLB	Deputy Chair of the Board Independent Non-Executive Director Chair of the Governance & Policy Review Committee	Director of SWSCU from 1988 until current - 25 years Principal of K.P. Carmody Solicitors, Young NSW Membership of AMI (Australian Mutuals Institute) No other directorships within the last 3 years
Lauren Peek	Independent Non-Executive Director Member of the Governance & Policy Review Committee	Director of SWSCU from 1992 - 21 years Proprietor of 'Framaglass'; a glass sales & glaziers business in Young NSW Membership of AMI (Australian Mutuals Institute) No other directorships within the last 3 years
Craig McTavish BBus, CPA	Independent Non-Executive Director Member of the Audit Committee	Director of SWSCU from 2007 - 6 years Partner of accounting firm Hunt & McTavish in Cootamundra Membership of AMI No other directorships within the last 3 years

DIRECTOR'S REPORT

Name	Position	Experience, Responsibilities and other directorships
Adrian Hanrahan	Independent Non-Executive Director Chair of the Audit Committee	Director of SWSCU from 2008 - 5 years General Manager of Young Shire Council (Retired) Membership of AMI No other directorships within the last 3 years
Kevin Cloake	Independent Non-Executive Director Member of the Audit committee	Director of SWSCU 2010 - 3 years Cost Clerk at Harden Shire Council since 2003 21 years of banking experience with Commonwealth Bank (1976-1997) Membership AMI No other directorships within last 3 years

Unless indicated otherwise, all directors held their position as a director throughout the entire financial period and up until the date of this report.

The names of the Company Secretary and Executives in office at the end of the year are:

Name	Position	Relevant Qualifications	Experience
Stephen W. Elsley	General Manager Company Secretary	Diploma of Financial Services ASIC Tier 2 Fellow of the Australian Mutuals Institute (AMI)	37 Years of banking experience with Rural / State Bank and South West Slopes Credit Union; 18 years as General Manager of South West Slopes Credit Union
Elke Cleverdon FCPA, BBus, GAICD	Assistant General Manager & Chief Financial Officer Deputy Company Secretary	Certified Practising Accountant (Fellow CPA) Bachelor of Business (Finance & Administration) Graduate of the Australian Institute of Company Directors ASIC Tier 2	17 years of banking experience with South West Slopes Credit Union, 13 years as Assistant General Manager & Chief Financial Officer. Experience also includes other board positions & governance roles with local & regional organisations including a catchment management authority, a regional development committee and a NSW State Council. Currently undertaking a Master of Business Administration (MBA) through a partnership of AMI and the University of South Australia

The number of directors' meetings and number of meetings attended by each of the directors of the Credit Union during the financial year are:

Director	Board Meetings		Audit and Risk Committee Meetings		Governance & Policy Review Committee		Period of appointment
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	
Brian Page	11	11	-	-	11	10	3 years (2010-2013)
Keith Carmody	11	10	-	-	11	10	3 years (2012-2015)
Lauren Peek	11	11	-	-	11	11	3 years (2012-2015)
Craig McTavish	11	11	2	2	-	-	3 years (2011-2014)
Adrian Hanrahan	11	10	2	2	-	-	3 years (2010-2013)
Kevin Cloake	11	10	2	2	-	-	3 years (2010-2013)

DIRECTORS' BENEFITS

No director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Credit Union, controlled by the Credit Union, or a related body corporate with a director, a firm of which a director is a member or a Credit Union in which a director has a substantial financial interest.

Mr Keith Carmody acts on behalf of the Credit Union in legal matters at normal commercial rates. During the course of the year amounts paid to Mr Keith Carmody totalled $8,865 (2012 $6,712).

INDEMNIFYING OFFICER OR AUDITOR

Insurance premiums have been paid to insure each of the directors and officers of the Credit Union against any costs and expenses incurred by them in defending any legal proceeding arising out of their conduct while acting in their capacity as an officer of the Credit Union. In accordance with normal commercial practice disclosure of the premium amount and the nature of the insured liabilities is prohibited by a confidentiality clause in the contract.

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

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The net profit of the Credit Union for the year after providing for income tax was $1,187,415

(2012 $1,246,000).

DIVIDENDS

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

REVIEW OF OPERATIONS

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of the affairs of the Credit Union during the year.

ENVIRONMENTAL REGULATIONS

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

EVENTS SUBSEQUENT TO REPORTING DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Credit Union, to affect significantly :

(i) The operations of the Credit Union;

(ii) The results of those operations; or

(iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

LIKELY DEVELOPMENTS

The Credit Union will continue to pursue its policy of increasing the profitability and market share of its business during the next financial year.

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

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The Lead auditor's independence declaration is set out on page 6 and forms part of the directors' report for the financial year ended 30 June 2013.

ROUNDING OFF

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

This report is made with a resolution of the directors:

Brian Page

Director

Dated at Young this 25th day of September 2013

DIRECTORS' DECLARATION

In the opinion of the Directors of South West Slopes Credit Union Ltd ("the Credit Union"):

(a) the financial statements and notes that are set out on pages 7 to 41, are in accordance with the Corporations Act 2001, including:

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

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

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

Signed in accordance with a resolution of the Directors of South West Slopes Credit Union Ltd:

Brian Page (Chair of the Board)
Director
Young
25 September 2013

KPMG

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

To: the directors of South West Slopes Credit Union Limited

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

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

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

KPMG

KPMG

Richard Drinnan
Partner

Wollongong

Dated this 25th day of September 2013

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2013

	Note	2013 $'000	2012 $'000
Interest income	2	7,893	8,486
Interest expense	2	(2,788)	(3,361)
Net interest income		**5,105**	**5,125**
Fee commission and other income	2	916	936
Operating income		6,021	6,061
Impairment losses on loans receivable from members	2	(106)	(76)
Fee and commission expenses		(794)	(786)
Employees' compensation and benefits		(2,047)	(2,043)
Depreciation and amortisation	10,11	(151)	(198)
Information technology		(220)	(224)
Office occupancy		(145)	(130)
Other administration		(877)	(842)
Total operating expenses		(4,340)	(4,299)
Profit before income tax		1,681	1,762
Income tax expense	3	(494)	(516)
Profit for the year		1,187	1,246
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		1,187	1,246

The Statement of Profit or Loss and other comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 11 to 41.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 June 2013

	General reserve for credit losses $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2011	**270**	**14,246**	**14,516**
Total comprehensive income for the year			
Profit for the year	-	1,246	1,246
Other comprehensive for the year	-	-	-
Total comprehensive income for the year	-	1,246	1,246
Transfer to (from) general reserve for credit losses in year	16	(16)	-
Balance at 30 June 2012	**286**	**15,476**	**15,762**
Balance at 1 July 2012	**286**	**15,476**	**15,762**
Total comprehensive income for the year			
Profit for the year	-	1,187	1,187
Other comprehensive for the year	-	-	-
Total comprehensive income for the year	-	1,187	1,187
Transfer to (from) general reserve for credit losses in year	2	(2)	-
Balance at 30 June 2013	**288**	**16,661**	**16,949**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 11 to 41.

STATEMENT OF FINANCIAL POSITION

AS AT 30 June 2013

	Note	2013 $'000	2012 $'000
ASSETS			
Cash and cash equivalents	4	10,332	10,294
Receivables from financial institutions	5	14,482	19,565
Other receivables	6	140	221
Prepayments		64	42
Loans to members	7	101,845	93,090
Available-for-sale investments	9	220	220
Property, plant and equipment	10	833	915
Deferred tax assets	12	208	226
Intangible assets	11	13	55
TOTAL ASSETS		128,137	124,628
LIABILITIES			
Deposits from members	13	109,546	107,268
Creditor accruals and settlement accounts	14	1,126	1,063
Current tax payable	12	122	152
Provisions	15	394	383
TOTAL LIABILITIES		111,188	108,866
NET ASSETS		16,949	15,762
MEMBERS' EQUITY			
General reserve for credit losses		288	286
Retained earnings		16,661	15,476
TOTAL MEMBERS' EQUITY		16,949	15,762

The Statement of Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 11 to 41.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 June 2013

	Note	2013 $'000	2012 $'000
OPERATING ACTIVITIES			
Interest received from members		6,899	7,216
Investment interest received		1,074	1,277
Dividends received		40	47
Other income received		854	868
Interest paid		(2,859)	(3,200)
Suppliers and employees paid		(3,936)	(4,412)
Income taxes paid		(507)	(547)
Net cash from revenue generating activities		1,565	1,249
Cash from other operating activities			
Net movement in receivables from other financial institutions		5,083	(7,012)
Net movement in member loans		(8,861)	(4,327)
Net movement in member deposits and shares		2,278	12,078
Net cash from operating activities	24	65	1,988
INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	78
Purchase of property, plant and equipment and intangibles		(27)	(293)
Net cash from investing activities		(27)	(215)
FINANCING ACTIVITIES			
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		38	1,773
Cash and cash equivalents at beginning of year		10,294	8,521
Cash and cash equivalents at end of year	4	10,332	10,294

The Statement of Cash flows is to be read in conjunction with the notes to the financial statements set out on pages 11 to 41.

Better Service, Fairer Fees, Community Focus

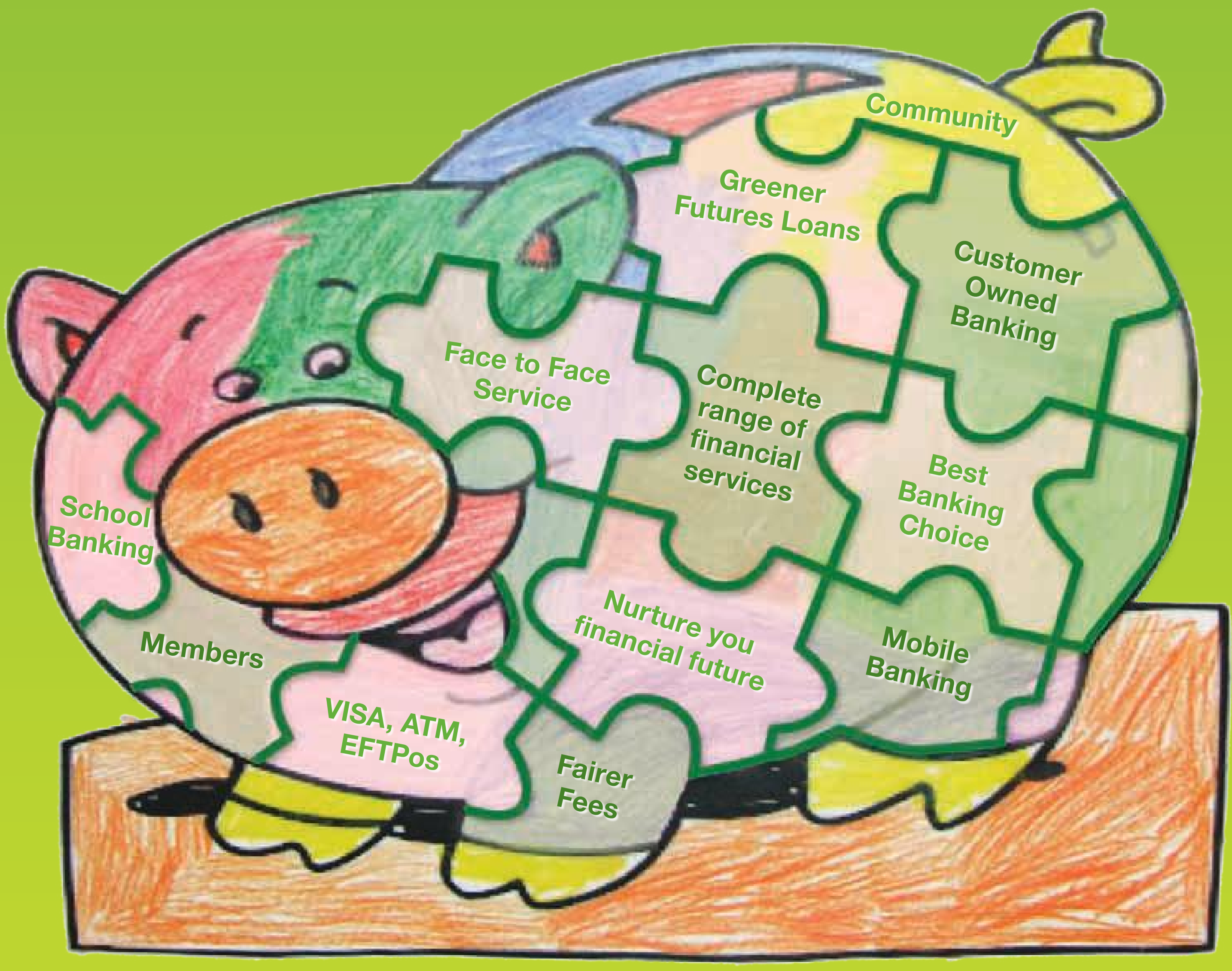
IN THE COMMUNITY

At South West Slopes Credit Union we pride ourselves on our community contributions and sponsorships. These contributions on behalf of members are strongly aligned with our corporate values.

Giving back to our communities is a vital part of who we are. Our sponsorships are aimed at supporting local clubs and organisations that contribute to the community in a positive way in the towns we service.

This can be achieved through sport, community events & festivals or providing essential community or charitable services. We continually seek ways to add value to these organisations as they are the life and soul of our communities.

In 2012 /2013 SWSCU contributed close to $100,000 to the local communities via sponsorships.



1. SUMMARY OF ACCOUNTING POLICIES

a. Reporting entity

South West Slopes Credit Union Limited ("the Credit Union") is a company limited by shares domiciled in Australia.

The address of the registered office is 89 Boorowa Street, Young NSW 2594.

The credit union is a for-profit entity primarily involved in the provision to members of banking and financial services, including lending, deposits and insurance products.

b. Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards (AASBs), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report of the Credit Union complies with International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB).

The report was authorised for issue on 25th September 2013 in accordance with a resolution of the board of directors.

c. Basis of measurement

The financial report has been prepared on an accruals basis, and is based on historical costs, which do not take into account changing money values or current values of non-current assets.

d. Functional and presentation currency

The financial report is presented in Australian dollars, which is the Credit Union's functional currency. The Credit Union is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded off to the nearest thousand dollars, unless otherwise stated.

e. Accounting estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Note 1(n) (ii) – Loan impairment

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

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

f. Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, loans to members, loans and receivables to other financial institutions, available-for-sale financial assets, other assets, member deposits and payables.

The Credit Union initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised on the trade date at which the Credit Union becomes a party to the contractual provisions of the instrument.

The Credit Union derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Credit Union is recognised as a separate asset or liability.

Financial liabilities are derecognised when the Credit Union's obligations specified in the contract expire or are discharged or cancelled.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Credit Union has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment loss. Refer to the following notes for further information;

- Cash and cash equivalents – note 1(g)
- Loans to members – note 1(h)
- Loans and receivables to other financial institutions – note 1(i)
- Available for sale financial assets – note 1(j)
- Other assets – note 1(m)
- Member deposits – note 1(o)
- Payables – note 1(p)

g. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand , cash balances in the Credit Union's bank accounts and at call deposits with original maturities of three months or less that are subject to an insignificant risk of changes of their fair value, and are used by the credit union in the management of its short term commitments. Cash and cash equivalents are measured at amortised cost using the effective interest method.

h. Loans to members

(i) Basis of recognition

Loans and receivables to members are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost, less any impairment losses.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at reporting date, less any allowance or provision against impairment for debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the board of directors.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

h. Loans to members (continued)

(ii) Securitised loans

The Credit Union has an arrangement with Integris Securitisation Services Pty Limited whereby it acts as an agent to promote and complete loans on their behalf, for on sale to an investment trust. The Credit Union also manages the loans portfolio on behalf of the trust. The Credit Union bears no risk exposure in respect of these loans. The Credit Union receives a management fee to recover the costs of on-going administration of the processing of the loan repayments and the issue of statements to the members.

In addition the Credit Union is able to assign mortgage secured loans to Integris at the book value of the loans, subject to acceptable documentation criteria.These loans qualify for de-recognition on the basis that the assignment transfers all the risks and rewards to Integris and there is no residual risks or benefits to the Credit Union.

During the current and prior year the Credit Union did not securitise any additional loans.

i. Loans and receivables to other financial institutions

Loans and receivables to other financial institutions are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Term deposits with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity.

The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the statement of financial position.

j. Available for sale financial assets

Investments in shares are classified as available-for-sale financial assets where they do not qualify for classification as loans and receivables, or investments held for trading.

Investments in shares without an active market are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition instruments whose fair value cannot be reliably determined are measured at cost less any impairment loss.

When available-for-sale financial assets are derecognised, the cumulative gain or loss in the asset revaluation reserve is transferred to the profit or loss.

An available-for-sale financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

Impairment losses on available-for-sale investments are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale investment increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in other comprehensive income.

The credit union's shareholding in Cuscal is measured at cost as its shares are not traded in an active market. This company was created to supply services its member credit unions. These shares are held to enable the Credit Union to receive essential banking services. The shares are not able to be traded and are not redeemable.

The financial reports of Cuscal record net tangible asset backing of these shares exceeding their cost. Based on the net assets of Cuscal, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of an active market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

k. Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment (PPE) are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of PPE have different useful lives, they are accounted for as separate items (major components) of PPE.

Gains and losses on disposal of an item of PPE are determined by comparing the proceeds from disposal with the carrying amount of PPE and are recognised within profit or loss.

(ii) Subsequent expenditure

The Credit Union recognises in the carrying amount of an item of PPE the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Credit Union and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of PPE are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of PPE. Land is not depreciated.

The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives for the current and comparative periods are as follows:

- Buildings - 40 years.
- Plant and equipment - 3 to 7 years.

l. Intangible assets

(i) Recognition and measurement

Intangible assets consist of capitalised expenditure on VISA credit card and VISA debit card establishment costs such as VISA licence fees, VISA establishment fees with CUSCAL, card facility and FDI testing, as well as the cost of a VISA BIN.

Intangible assets that have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the intangible asset to which is relates. All other expenditure is recognised in profit or loss as incurred.

(iii) Amortisation

Amortisation is calculated over the cost of the asset less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods is 5 years.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

m. Other assets

Other assets include interest receivable, prepayments and other receivables. Such assets are stated at their amortised cost.

n. Impairment

(i) **Financial assets**

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more loss events have occurred after the initial recognition of the asset, and that loss event had a negative effect on the estimated cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset previously recognised in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) **Loan Impairment**

A provision for losses on impaired loans is recognised when there is objective evidence that the impairment of a loan has occurred. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower. In these instances a specific provision for impairment may be recognised in relation to anticipated losses.

Estimated impairment losses are calculated on a portfolio basis for loans of similar characteristics. The amount provided is determined by management and the board to recognise the probability of loan amounts not being collected in accordance with the terms of the loan agreement. For loans with arrear levels of greater than 90 days, a collective provision is recognised based on the level of arrears. Note 16 details the credit risk management approach for loans.

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

Bad debts are written off from time to time as determined by management and the board of directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment, if a provision for impairment had previously been recognised. If no provision had been recognised, the write offs are recognised as expenses in the profit or loss.

A general reserve for credit losses is also held as an additional allowance for impairment of loans and receivables to meet prudential requirements..

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

n. Impairment (continued)

(iii) Non-financial assets

The carrying amount of the Credit Union's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

o. Member Deposits

(i) Basis for measurement

Member savings and term investments are recognised on the date at which they originated and are measured initially at fair value plus incremental direct transaction costs. Member deposits are stated at the aggregate amount of monies owing to depositors. Member deposits are subsequently measured at their amortised cost using the effective interest method.

(ii) Interest payable

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

p. Payables

Payables include trade and other payables. Such liabilities are stated at their amortised cost and are recognised in relation to goods and services received by the Credit Union.

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

q. Employee Benefits

(i) Defined contribution plans

Defined contributions are made by the Credit Union to an employee's superannuation fund and are recognised in the profit or loss as incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(ii) Long-term employee benefits

The Credit Union's net obligation in respect of long-term service benefits is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to government bonds at the balance sheet date that have maturity dates approximating the terms of the Credit Union's obligations.

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

q. Employee Benefits (continued)

(iii) Short-term employee benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on wage and salary rates that the Credit Union expects to pay as at reporting date including related on-costs, such as workers' compensation insurance, superannuation contributions and payroll tax.

r. Revenue from financial assets

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Credit Union and the revenue can be reliably measured.

Interest income is recognised in the profit or loss using the effective interest method. Credit Card products receive up to fifty five days interest free until the due date of payment. Interest on non-accrual loans is not recognised.

(i) Fees and commissions

Fee and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fee and commission income is recognised as the related services are performed. Other fee and commission expense relates mainly to transaction and service fees which are expensed as the services are received.

(ii) Dividend income

Dividend income is recognised in the profit or loss on the date the Credit Union's right to receive income is established. Usually this is the ex-dividend date for equity securities.

s. Leasehold on Premises

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

t. Goods and Services Tax

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

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

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

u. Income Tax

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

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

1. SUMMARY OF ACCOUNTING POLICIES (Continued)

u. Income Tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at 30 June 2013 temporary differences were assessed at 30% (2012: 30%).

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

v. Member shares

The Credit Union issues redeemable preference shares to each Member upon joining in accordance with the constitution. The shares are redeemable at their face value on leaving the Credit Union.

w. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing this financial report. Those standards with the most significant potential impact on the financial statements are outlined below:

AASB 119 *Employee Benefits* – This standard changes the definition of short-term and long-term employee benefits, some disclosure requirements and may result in earlier recognition of termination benefits. This standard is mandatory for the Credit Union’s 2014 financial statements.

AASB 9 *Financial Instruments* – This standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. This standard is mandatory for the Credit Union’s 2016 consolidated financial statements. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

	2013 $'000	2012 $'000
Interest income		
Cash and deposits at call	214	352
Receivables from financial institutions	861	918
Loans to members	6,818	7,216
TOTAL INTEREST INCOME	7,893	8,486
Fee, commission and other income		
Fee income	652	676
Insurance commissions	82	102
Other commissions	83	78
Dividends received on available-for-sale assets	40	47
Bad debts recovered	20	9
Gain on disposal of property, plant and equipment	-	16
Other income	39	8
TOTAL FEE, COMMISSION AND OTHER INCOME	916	936
Interest expense		
Deposits from members	2,788	3,361
TOTAL INTEREST EXPENSE	2,788	3,361
Impairment losses		
Loans and advances		
Provision made during the year	106	76
Bad debts written off directly against profit	-	-
TOTAL IMPAIRMENT LOSSES	106	76
Other prescribed disclosures		
Employees compensation and benefits include:		
- Superannuation contributions	156	150
Office occupancy costs include:		
Property operating lease payments		
- minimum lease payments	25	23

3. INCOME TAX EXPENSE

	2013 $'000	2012 $'000
The income tax expense comprises amounts set aside as:-		
Provision for income tax – current year	476	527
Decrease (Increase) in deferred tax asset account	18	(11)
Income tax expense attributable to operating profit	494	516
The prima facie tax payable on profit is reconciled to the income tax expense in the accounts as follows:		
Profit before income tax	1,681	1,762
Prima facie tax payable on profit before income tax at 30% (2012:30%)	504	529
Add tax effect of expenses not deductible		
- Other non-deductible expenses / or taxable income	2	2
- Gross up dividends	5	5
	511	536
Less		
- Franking rebate	(17)	(20)
Income tax expense attributable to current year profit	494	516

4. CASH AND CASH EQUIVALENTS

Cash on hand	2,432	2,794
Deposits at call	7,900	7,500
	10,332	10,294

5. RECEIVABLES FROM OTHER FINANCIAL INSTITUTIONS

Deposits with industry bodies - Cuscal	2,500	4,500
Deposits with Non Bank ADI's	-	985
Deposits with banks	11,982	14,080
	14,482	19,565

6. OTHER RECEIVABLES

Sundry debtors and settlement accounts	140	221
	140	221

7. LOANS TO MEMBERS

	2013 $'000	2012 $'000
Amount due comprises:		
Overdrafts and revolving credit (including VISA)	1,313	1,078
Term loans	100,690	92,189
	102,003	93,267
Provision on impaired loans (Note 8)	(158)	(177)
	101,845	93,090
Credit quality		
Secured by mortgage over real estate	84,389	73,888
Partly secured by goods mortgage	4,180	4,967
Wholly unsecured	13,434	14,412
	102,003	93,267

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

Credit quality profile of loans whole secured by mortgage against real estate	2013 $'000	2012 $'000
- loan to valuation ratio of less than 80%	76,801	68,383
- loan to valuation ratio of more than 80% but mortgage insured	7,159	4,584
- loan to valuation ratio of more than 80% and not mortgage insured	429	921
Total	84,389	73,888

Where the loan value is less than 80%, there is a 20% margin to cover the costs of any sale, or potential value reduction.

Concentration of loans

There are no loans to individual or related groups of members which exceed 10% of the Credit Union's regulatory capital.

The Credit Union's loans, and where applicable, the related collateral held against such loans, are predominantly concentrated in the South West Slopes region of New South Wales.

The amount of securitised loans under management as at 30 June 2013 is $213,393 (2012: $404,252).

8. PROVISION ON IMPAIRED LOANS

	2013 $'000	2012 $'000
Total provision comprises		
Collective provision	62	53
Specific provision	96	124
Total Provision	158	177
Movement in the provision for impairment		
Balance at the beginning of year	177	199
Add (deduct):		
Provision made during the year	106	76
Provision used during the year	(125)	(98)
Balance at end of year	158	177

Details of credit risk management are set out in Note 16.

Analysis of loans that are specifically impaired, past due but not impaired and neither past due nor impaired

	2013 $'000	2012 $'000
Carrying amount	101,845	93,090
Individually impaired		
Gross amount	96	124
Provision for impairment	(96)	(124)
Carrying amount	-	-
Past due but not impaired		
Days in arrears:		
Less than one month	3,735	2,294
Greater than one month and less than two months	304	33
Greater than two months and less than three months	80	87
Greater than three months	198	457
Carrying amount	4,317	2,871
Neither past due nor impaired		
Secured by mortgage	75,685	66,164
Personal and commercial	20,949	23,067
Overdrafts/revolving	956	1,041
Carrying amount	97,590	90,272
Collective impairment provision	(62)	(53)
Total carrying amount	**101,845**	**93,090**

There are loans past due which are not considered to be impaired as the value of related security over residential property is in excess of the loan due. There have been no other provisions recognised on financial assets during the current period (2012: nil).

9. AVAILABLE FOR SALE INVESTMENTS

	2013 $'000	2012 $'000
Shares in unlisted company – at cost		
Cuscal Limited	220	220
Total value of investments	**220**	**220**

The Credit Union is not intending, nor able, to dispose of these shares.

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $'000	Plant and equipment $'000	Total $'000
Cost or deemed cost			
Balance at 30 June 2011	692	1,726	2,418
Additions	133	160	293
Disposals	-	(117)	(117)
Balance at 30 June 2012	825	1,769	2,594
Additions	-	27	27
Disposals	-	(20)	(20)
Balance at 30 June 2013	825	1,776	2,601
Accumulated depreciation and impairment losses			
Balance at 30 June 2011	(153)	(1,440)	(1,593)
Depreciation for the year	(17)	(124)	(141)
Disposals	-	55	55
Balance at 30 June 2012	(170)	(1,509)	(1,679)
Depreciation for the year	(19)	(90)	(109)
Disposals	-	20	20
Balance at 30 June 2013	(189)	(1,579)	(1,768)

	2013 $'000	2012 $'000
Total property plant and equipment - at cost	2,601	2,594
Total accumulated depreciation	(1,768)	(1,679)
Total property, plant and equipment - carrying amount	833	915

11. INTANGIBLE ASSETS

	2013 $'000	2012 $'000
VISA Credit / Debit Licence / Setup Fees – at cost	252	252
Accumulated amortisation	(239)	(197)
	13	55

Movement in intangible asset balances during the year were:

	2013 $'000	2012 $'000
Opening balance	55	112
Additions	-	-
Amortisation for the year	(42)	(57)
Balance at the end of the year	13	55

12. DEFERRED TAX ASSETS

	2013 $'000	2012 $'000
Deferred tax assets comprise:		
Accrued expenses	36	51
Provision on impaired loans	48	53
Provisions for employee benefits	112	108
Depreciation on fixed assets	1	2
Visa setup costs	11	12
	208	226

The Credit Union's current tax liability of $122,000 (2012: 152,000) represents the amount of income tax payable in respect of the current and prior year periods due to the Australian Taxation Office.

13. DEPOSITS FROM MEMBERS

	2013 $'000	2012 $'000
Member Deposits		
- at call	47,467	46,604
- term	61,942	60,525
Member withdrawable shares	137	139
	109,546	107,268

There were no defaults on interest and capital payments on these liabilities in the current or prior year.

Concentration of member deposits

There is no significant individual member deposits which in aggregate represent more than 10% of the total liabilities.

Geographical concentration

The Credit Union's member deposits predominantly concentrated in the South West Slopes region of New South Wales.

14. CREDITOR ACCRUALS AND SETTLEMENT ACCOUNTS

	2013 $'000	2012 $'000
Creditors and accruals	175	227
Interest payable on deposits	549	621
Sundry creditors / Settlements	402	215
	1,126	1,063

15. PROVISIONS

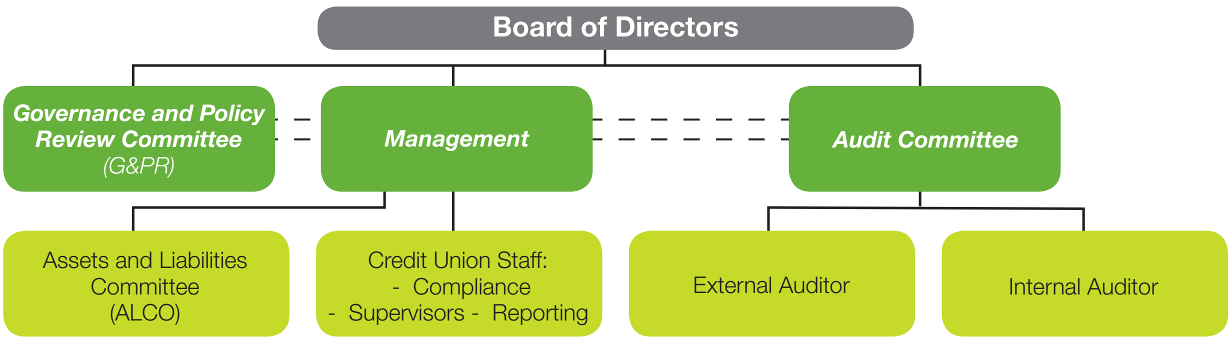
	2013 $'000	2012 $'000
Current		
Annual Leave	132	140
Long service leave	211	193
Provisions – other	19	22
	362	355
Non-current		
Long service leave	32	28
Total provisions	394	383

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board has endorsed compliance and risk management policies to suit the risk profile of the Credit Union. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, procedures and services offered. The Credit Union, through its training and management standards and procedures, has developed a disciplined and constructive control environment, in which all employees understand their roles and objectives.

The Credit Union's risk management focuses on the major areas of market risk, liquidity risk, credit risk and operational risk. Authority flows from the board of directors to the audit and risk committee who are integral to the management of risk. The following diagram gives an overview of the structure in place since 2009.

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



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

The Board is the key body in the control of risk. The Board reviews risks and the controls that are used to mitigate them. This includes the identification, assessment and reporting of risks. Regular monitoring is carried out by the Board through monthly review of risks (Top 10 risks) as well as an annual full review of all risks.

Risk controls are reviewed in an ongoing manner however formally at least annually to confirm whether risks are within the parameters endorsed by the Board. The Board seeks to ensure that the significant risks and controls are assessed cognisant with the endorsed internal audit plan.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Audit Committee:

The audit committee has a documented charter, approved by the Board. The committee advises on the establishment and maintenance of a framework of internal control.

The objectives of the Audit Committee are to assist the Board in the discharge of its duties by:

1.1 Overseeing the financial reporting process;

1.2 Providing an independent conduit for communication between the Board, senior management, internal auditors and external auditors;

1.3 Overseeing compliance with the Credit Union's internal and external audit requirements;

1.4 Overseeing the annual review and testing of the Business Continuity Plan;

1.5 Undertaking steps to satisfy themselves that the auditor is independent of SWSCU, it's Board, management and staff, and that there is no conflict of interest arising that may compromise, or be seen to compromise the independence of the auditor or the integrity of any audit outcomes. The committee will obtain a declaration from the auditor attesting that the auditor is independent, both in appearance and in fact, has no conflict of interest, and that there is nothing to the auditor's knowledge that could compromise impartiality.

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

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

All large credit exposure facilities above policy limits are approved by the board. All exposures are checked monthly against approved limits, independently of each business unit, and are reported to the ALCO Committee.

All loans are managed weekly through the monitoring of the scheduled repayments. Accounts where the arrears are over 90 days or over limit facilities over 14 days, have collective provisions charged against them. Other provisions are taken up on accounts considered doubtful and the status of these loans is reported to the Credit Risk Committee monthly and the Audit and Risk Committee quarterly.

Arrears are strictly controlled. The size of the loan book is such that it is possible to monitor each individual exposure to evaluate whether specific provisions are necessary and adequate. A dedicated credit control team, which reports to the ALCO, implements the Credit Union's credit risk policy.

Asset and Liability Committee (ALCO) - Market Risk: This committee meets weekly and has responsibility for managing interest rate risk exposures, and ensuring that the treasury and finance functions adhere to exposure limits as outlined in the policies market risk. The weekly scrutiny of market risk reports is intended to prevent any exposure breaches prior to reporting any breaches to the full Board.

Compliance : This person has responsibility for both liaising with the operational function to ensure timely production of information for the committees and ensuring that instructions passed down from the board via the committees are implemented.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The Credit Union has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Credit Unions' exposure to each of the above risks, the Credit Union's objectives, policies and processes for measuring and managing risk, and the Credit unions management of capital.

A. MARKET RISK

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

The objective of the Credit Union's market risk management is to manage and control market risk exposures in order to optimise risk and return.

Management is responsible for the development of detailed risk management policies which are submitted to the Board for review and approval, and for the day-to-day review of their implementation. In addition the ALCO, being a management committee, meets on a weekly basis to review and implement day-to-day market risk strategies.

Interest rate risk

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

Member loans

The Credit Union is exposed to some interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities. However, as the Credit Union only offers variable rate loans and uses member deposits as a natural hedge, the Credit Union does not have significant interest rate risk as at 30 June 2013 and 30 June 2012 arising from member loans.

The interest rate risk on the banking book is measured formally and externally every 6 months. Monthly reports on interest rate margin are reviewed and reported to the ALCO and the Board.

Fixed rate financial instruments

In the banking book the most common risk the Credit Union faces arises from fixed rate assets and liabilities. This exposes the Credit Union to the risk of sensitivity should interest rates change.

The level of mismatch on the banking book is set out in Note 18 below. The table set out at Note 18 displays the period that each interest rate sensitive asset and liability will reprice as at the reporting date. This risk is not considered significant enough to warrant the use of derivatives to mitigate this risk.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

A. MARKET RISK (continued)

Method of managing risk

The Credit Union manages its interest rate risk by the use of value at risk models (VaR). The detail and assumptions used are set out below.

Value at Risk (VaR)

The Credit Union's exposure to market risk is measured and monitored using the VaR methodology of estimating potential losses. VaR is a technique which estimates the potential losses that could occur as a result of the risk positions taken by the Credit Union and movements in market rates over a specified time period to a given level of confidence.

VaR, as set out in the table below, has been calculated using historical simulations, taking into account movements in market rates, a 99.5 per cent confidence level and a holding period of 10 days.

This function is outsourced to Cuscal who prepare a detailed risk exposure summary every six months.

The VaR on the non-trading book was as follows:

	2013	2012
Value at Risk / 10 day value at risk	$25,538	$30,588
Percentage of regulatory capital	0.15 %	0.20%

Given the Credit Union's profile of assets and liabilities at 30 June 2013, and therefore its book sensitivity as at that date, for each 1% parallel downward shift in the yield curve the Credit Union can expect a reduction in profit of $128,440 (2012: $107,781). The Credit Union is therefore exposed to falling interest rates.

As book sensitivity is a measure only to a definite point in time the abovementioned expected loss does not reflect the position of the Credit Union subsequent to balance date. In addition, although VaR provides a useful tool for measuring and monitoring market risk, the assumptions on which the model are based give rise to some limitations, including the following:

- a 10 day holding period assumes that it is possible to dispose of financial instruments within that period. This is considered a realistic assumption in almost all cases but may not be the case in situations where there is severe market illiquidity;
- a 99 per cent confidence level does not reflect losses that may occur beyond this level. Even within the model used there is 1% probability that losses will exceed VaR;
- the use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those on an exceptional nature; and
- VaR is dependent on the Credit Union's position of assets and liabilities and the volatility of market prices. The VaR of an unchanged book position will rise if market volatility increases and vice versa.

The Credit Union is therefore confident within a 99.5 per cent confidence level that, given the risks as at 30 June 2013, it will not incur a one day loss on its non-trading book of more than the amount calculated above, based on the 2013 VaR model used.

Although the use of VaR models calculates the interest rate sensitivity on the banking book, this is not reflected in the Pillar 1 capital requirement.

The Credit Union's exposure to banking book interest rate risk is not expected to change materially in the next year so existing capital requirements are considered to be an accurate measurement of capital needed to mitigate interest rate risk.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

B. LIQUIDITY RISK

Liquidity risk is the risk that the Credit Union may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments or member withdrawal demands. It is the policy of the board of directors that treasury maintains adequate cash reserves and committed credit facilities so as to meet the member withdrawal demands when requested.

The Credit Union manages liquidity risk by:

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

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

The Credit Union is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 24 hours under the APRA Prudential standards. The Credit Union policy is to apply 12% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, or available borrowing facilities.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in Note 18.

The ratio of high quality liquid funds over the past year is set out below:

APRA minimum 9 %

	2013	2012
Total Liquidity as at 30 June	21.19 %	26.28 %
HQLA liquidity as at 30 June	14.36 %	17.62 %
Average HQLA liquidity for the year	14.96 %	17.06 %
Average Total liquidity for the year	23.17 %	25.21 %
Lowest HQLA liquidity for the year	11.87 %	14.79 %

C. CREDIT RISK

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to the Credit Union which may result in financial losses. Credit risk arises principally from the Credit Union's loan book and investment assets. The carrying amount of the Credit Union's financial assets represents the maximum credit exposure.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

C. CREDIT RISK (continued)

(i) Credit Risk – Loans (continued)

The Credit Union's maximum exposure to credit risk arising from loans to members at the reporting date is as follows:

	2013 $'000	2012 $'000
Loans to members		
Mortgage (Home or Investment loans)	78,567	68,895
Personal	20,928	22,245
Credit cards	762	636
Overdrafts	552	442
Commercial	1,194	1,049
Total loans	102,003	93,267
Provision for impairment	(158)	(177)
	101,845	93,090

All loans and facilities are within Australia.

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

The Credit Union has established policies over the:

- Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements;
- Limits of acceptable exposure over the value to individual borrowers, non-mortgage secured loans, commercial lending and concentrations to geographic and industry groups considered at high risk of default;
- Reassessing and review of the credit exposures on loans and facilities;
- Establishing appropriate provisions to recognise the impairment of loans and facilities;
- Debt recovery procedures;
- Review of compliance with the above policies.

A regular review of compliance is conducted as part of the internal audit scope.

Past due and impaired

A financial asset is past due when the counterparty has failed to make a payment when contractually due. As an example, a member enters into a lending agreement with the Credit Union that requires interest and a portion of the principle to be paid every month. On the first day of the next month, if the agreed repayment amount has not been paid, the loan is past due. Past due does not mean that a counterparty will never pay, but it can trigger various actions such as renegotiation, enforcement of covenants, or legal proceedings. Once the past due exceeds 90 days the loans are regarded as impaired, unless other factors indicate the impairment should be recognised sooner.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

C. CREDIT RISK (continued)

(i) Credit risk – loans (continued)

Daily reports monitor the loan repayments to detect delays in repayments and recovery action is undertaken after 7 days. For loans where repayments are doubtful, external consultants are engaged to conduct recovery action once the loans are over 90 days in arrears. The exposures to losses arise predominantly in the personal loans and facilities not secured by registered mortgages over real estate.

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

In addition to specific provisions against individually significant financial assets, the Credit Union makes collective assessments for each financial asset portfolio segmented by similar risk characteristics.

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

A provision for incurred losses is established on all past due loans after a specified period of repayment default where it is probable that some of the principal will not be repaid or recovered. Specific loans and portfolios of assets are provided against depending on a number of factors including deterioration in counterparty risk, changes in a counterparty's industry, and technological developments, as well as identified structural weaknesses or deterioration in cash flows.

Bad debts

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

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

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 8.

Collateral securing loans

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

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

The board policy is to maintain the majority of the loans in well secured residential mortgages which carry an 80% loan to valuation ratio or less. Note 7 describes the nature and extent of the security held against the loans held as at the balance date.

Repossessed collateral

In the event of member default on a mortgage facility, any loan security is usually held as mortgagee in possession and therefore the Credit Union does not usually hold any real estate or other assets acquired through the enforcement of security. During the year the Credit Union did not take possession of any real estate assets (2012: nil).

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

C. CREDIT RISK (continued)

(i) Credit risk – loans (continued)

Concentration risk – individuals

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

The Credit Union holds no significant concentrations of exposures to members. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base.

The Credit Union's policy on exposures of this size is to insist on an initial Loan to Valuation ratio (LVR) of no more than 80 per cent and bi-annual reviews of compliance with this policy are conducted.

Concentration risk – industry

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

(ii) Credit risk – liquid investments

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Credit Union incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Credit Union.

There is a concentration of credit risk with respect to investment receivables with the placement of investments in Cuscal. The credit policy is that investments are only made to institutions that are credit worthy. Directors have established policies that a maximum of 50 % of capital can be invested with any one financial institution at a time.

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

Under the liquidity support scheme at least 3.2% of the total assets must be invested in Cuscal, to allow the scheme to have adequate resources to meet its obligations if needed. The Board's policy is to maintain at least 3.2 % of the investments in Cuscal Limited, a company set up to support its member Credit Unions and which has an A1+ / AA- rating.

All other investments must be with financial institutions with a rating in excess of BBB. The policies of the board limit the investments outside Cuscal to 50 % of capital base per counterparty.

External Credit Assessment for Institution Investments

The Credit Union accesses ratings agencies to assess the credit quality of all investment exposures, where applicable, using the credit quality assessment scale in APRA's prudential guidance note AGN 112. The credit quality assessment scale within this standard has been complied with.

The exposure values associated with each credit rating are as follows:

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

C. CREDIT RISK (continued)

(i) Credit risk – loans (continued)

Investments with	2013 Carrying value $'000	2013 Past due value $'000	2013 Provision $'000	2012 Carrying value $'000	2012 Past due value $'000	2012 Provision $'000	2010 Carrying value $'000	2010 Past due value $'000	2010 Provision $'000
Cuscal – rated AA-	7,035	-	-	8,775	-	-	3,500	-	-
Banks – rated AA and above	13,000	-	-	15,080	-	-	7,000	-	-
Banks – rated below AA	3,982	-	-	4,985	-	-	3,067	-	-
Total	24,017	-	-	28,840	-	-	16,567	-	-

D. CAPITAL MANAGEMENT

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

- Credit risk
- Market risk (trading book)
- Operational risk.

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

Capital resources

The Credit Union regulatory capital is analysed in two tiers:

- Tier 1 capital consisting of: Common Equity Tier 1 capital – which includes retained earnings; regulatory adjustments to Common Equity Tier 1 capital; Additional Tier 1 capital; and other Additional Tier 1 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Tier 2 capital, which includes transitional subordinated liabilities, collective impairment allowances and other Tier 2 capital regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes.

16 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

D. CAPITAL MANAGEMENT (continued)

Capital in the Credit Union is made up as follows:

	2013 $'000	2012 $'000
Tier 1		
Retained earnings	16,662	15,476
Less prescribed deductions	(442)	(391)
Common Equity Tier 1 capital	16,220	15,085
Tier 2		
Reserve for credit losses	288	286
Less prescribed deductions	-	(110)
Net tier 2 capital	288	176
Total Regulatory Capital	16,508	15,261
Risk Weighted Assets	57,572	56,266
Capital Ratios		
Total regulatory capital expressed as a percentage of total risk weighed assets	25.33 %	24.12 %
Total tier 1 capital expressed as a percentage of risk weighed assets	24.89 %	23.84 %

APRA sets a prudential capital requirement for each ADI that sets capital requirements in excess of the minimum capital requirement of 8% as compared to the risk weighted assets at any given time. The prudential capital ratio remains confidential between each ADI and APRA in accordance with accepted practice.

The risk weights attached to each asset are based on the weights prescribed by APRA in its Guidance AGN 112-1. The general rules apply the risk weights according to the level of underlying security.

17. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes:

		2013 $'000	2012 $'000
Financial assets - carried at amortised cost			
Cash and deposits	4	10,332	10,294
Receivables from financial institutions	5	14,482	19,565
Other receivables	6	140	221
Loans to members	7	101,845	93,090
Total loans and receivables		126,799	123,170
Available-for-sale investments - carried at cost	9	220	220
TOTAL FINANCIAL ASSETS		127,019	123,390
Financial liabilities - carried at amortised cost			
Deposits from members	13	109,546	107,268
Creditors	14	1,126	1,063
TOTAL FINANCIAL LIABILITIES		110,672	108,331

18. MATURITY AND INTEREST PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

The residual contractual maturities of the Credit Union's financial liabilities are detailed as follows;

2013	Within 1 month	1-3 months	3-12 months	Total
	$'000	$'000	$'000	$'000
Creditor accrual and settlement accounts	1,126			1,126
Deposits from members	62,922	33,380	15,602	111,904
Total financial liabilities	**64,048**	**33,380**	**15,602**	**113,030**

2012	Within 1 month	1-3 months	3-12 months	Total
	$'000	$'000	$'000	$'000
Creditor accrual and settlement accounts	1,063	-	-	1,063
Deposits from members	61,903	31,628	16,433	109,964
Total financial liabilities	**62,966**	**31,628**	**16,433**	**111,027**

18 MATURITY AND INTEREST PROFILE OF FINANCIAL ASSETS AND LIABILITIES (continued)

2013	Within 1 month $'000	1-3 months $'000	3-12 months $'000	Total $'000
Cash	10,332	-	-	10,332
Receivables from financial Institutions	3,482	3,000	8,000	14,482
Loans and advances - mortgage	78,567	-	-	78,567
Loans and advances - personal	20,770	-	-	20,770
Loans and advances – other	2,508	-	-	2,508
Total financial assets	**115,659**	**3,000**	**8,000**	**126,659**
Deposits from members	62,714	32,978	13,854	109,546
Total financial liabilities	**62,714**	**32,978**	**13,854**	**109,546**
Gap	**52,945**	**(29,978)**	**(5,854)**	**17,113**
Cumulative gap	**52,945**	**22,967**	**17,113**	**-**

A summary of the Credit Unions' interest rate gap positions is as follows: This table sets out the period in which the interest rate on the various financial instruments reprice.

2012	Within 1 month $'000	1-3 months $'000	3-12 months $'000	Total $'000
Cash	10,294	-	-	10,294
Receivables from financial Institutions	4,000	7,985	7,580	19,565
Loans and advances - mortgage	68,894	-	-	68,894
Loans and advances - personal	23,087	-	-	23,087
Loans and advances – other	1,286	-	-	1,286
Total financial assets	**107,561**	**7,985**	**7,580**	**123,126**
Deposits from members	61,643	31,138	14,487	107,268
Total financial liabilities	**61,643**	**31,138**	**14,487**	**107,268**
Gap	**45,918**	**(23,153)**	**(6,907)**	**15,858**
Cumulative gap	**45,918**	**22,765**	**15,858**	-

Financial assets and liabilities have conditions which allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings).

19 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability.

Significant assumptions used in the determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts.

The information is only relevant to circumstances at balance date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of financial assets and liabilities.

The values reported have not been adjusted for any changes in credit ratings of the assets.

The fair value estimates were determined by the following methodologies and assumptions:

Liquid assets and receivables from other financial institutions

The carrying values of cash and liquid assets and receivables due from other financial institutions redeemable within 12 months approximate their fair value as they are short term in nature or are receivable on demand.

Loans and advances

The carrying value of loans and advances is net of unearned income and both general and specific provisions for doubtful debts.

For variable rate loans, (excluding impaired loans) the amount shown in the statement of financial position is considered to be a reasonable estimate of fair value. The Credit Union does not provide fixed rate lending.

The fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. The Credit Union does not provide fixed rate deposits exceeding 12 months.

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently. The Credit Union does not have any short term borrowings.

20 FINANCIAL COMMITMENTS

	2013 $'000	2012 $'000
Outstanding loan commitments		
Loans approved but not funded	1,024	951
Loan redraw facilities		
Loan redraw facilities available	2,774	1,598
Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	2,955	2,776
Less: Amount advanced	(1,295)	(1,059)
Net undrawn value	1,660	1,717
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	5,458	4,266
Lease expense commitments for operating leases on property occupied by the Credit Union		
Not later than one year	27	23
Later than one year but not later than five years	20	-
Over five years	-	-
	47	23

The operating leases are in respect of property used for providing branch services to members. There are no contingent rentals applicable to leases taken out. The terms of the leases are for between 2 to 5 years and options for renewal are usually obtained for a further 3 years.

There are no restrictions imposed on the Credit Union so as to limit the ability to undertake further leases or borrow funds.

21 CONTINGENT LIABILITIES

Liquidity support scheme

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

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

Guarantees

There are no contingent guarantees as at 30 June 2013 (2012: nil).

22 RELATED PARTIES

Remuneration of key management persons

Key management persons 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) of that Credit Union. *Control* is the power to govern the financial and operating policies of a Credit Union so as to obtain benefits from its activities.

The following were the key management personnel of the Credit Union at any time during the period and unless otherwise indicated were key management personnel for the entire period;

- Directors: Mr. B Page, Mr. K Carmody, Mr. L Peek, Mr. C McTavish, Mr. A Hanrahan and Mr. K Cloake
- Senior Executives: Mr. S Elsley, Ms E. Cleverdon,
- Operational Managers: Ms J Trudgett (Loans Manager) , Ms N Woods (Operations Manager)

The aggregate Compensation of key management persons during the year comprising amounts paid or payable or provided for was as follows:

		2013 $	2012 $
(a)	short-term employee benefits;	551,350	484,777
(b)	post-employment benefits - superannuation contributions	68,198	132,979
(c)	other long-term benefits	16,937	9,985
Total		**636,486**	**627,742**

In the above table, remuneration shown as short term benefits means (where applicable) wages, salaries and superannuation 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.

Loans to Directors and other Key Management Persons

		2013 $	2012 $
(i)	The aggregate value of loans to directors and other key management persons as at balance date amounted to	749,424	768,233
(ii)	The total value of revolving credit facilities including VISA, to directors and other key management \ persons, as at balance date amounted to	56,000	56,000
	- Less amounts drawn down and included in (i)	(33,284)	(25,536)
	Net Balance available	22,716	30,464
(iii)	During the year the aggregate value of loans disbursed to directors and other key management persons amounted to:	-	-
	Term Loans	-	-
(iv)	The aggregate value of interest paid by key management personnel amounted to:	55,355	69,430

The Credit Union's policy for lending to directors and management is that all loans are approved and deposits accepted on the same terms and conditions which applied to members for each class of loan or deposit. There are no loans which are impaired in relation to the loan balances with directors or other KMP.

22 RELATED PARTIES (CONTINUED)

Other transactions between related parties include deposits from KMP and their related parties.

	2013 $	2012 $
Total value of term and saving deposits from KMP	683,137	728,133

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

Transactions with Other Related Parties

Mr Keith Carmody (Director and Deputy Chairman of the Board) acts on behalf of the Credit Union in legal matters at normal commercial rates. During the course of the year amounts paid to Mr Keith Carmody totalled $ 8,800 (2012 $6,712). There are no amounts outstanding at 30 June 2013 (2012: nil).

Other transactions between related parties include deposits from director related entities or close family members of directors, and other KMP.

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

There are no benefits paid or payable to the close family members of the key management persons.

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

23 ECONOMIC DEPENDENCY

The Credit Union has an economic dependency on the following suppliers of services.

Cuscal Limited

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

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

(ii) provides treasury and money market facilities to the Credit Union. The Credit Union has invested liquid assets with the Credit Union to maximise return on funds, and to comply with the Liquidity Support Scheme requirements.

(iii) operates the computer network used to link redicards (cuscal switch), visa debit & credit cards operated through Reditellers and other approved ATM suppliers to the Credit Union's EDP systems.(previously provided by First Data International FDI)

Lynx / Indue

Provides and maintains the application software utilised by the Credit Union.

24 NOTES TO STATEMENT OF CASH FLOWS

	2013 $'000	2012 $'000
Reconciliation of cash from operations to accounting profit		
Profit after income tax	1,187	1,246
Add (Deduct):		
Depreciation and amortisation expense	151	198
Loss on sale of assets	-	(16)
Impairment Loss on loans and receivables	106	76
Change in provisions	12	41
Change in current tax payable	(30)	(21)
Change in creditor accruals and settlement accounts	62	(267)
Change in other receivables	81	7
Change in prepayments	(22)	(5)
Change in deferred tax assets	18	(10)
Net cash from revenue activities	1,565	1,249
Add (Deduct) non revenue operations		
Change in receivables from other financial institution balances	5,083	(7,012)
Change in loans balances	(8,861)	(4,327)
Change in deposit balances	2,278	12,078
Net cash from operating activities	65	1,988

25 AUDITORS' REMUNERATION

	2013 $	2012 $
Audit services:		
Auditors of the Credit Union – KPMG		
Audit and review of the financial reports	39,210	37,345
Other regulatory audit services	12,765	12,155
Taxation services	599	505
	52,574	50,005

KPMG

Independent auditor's report to the members of South West Slopes Credit Union Limited

Report on the financial report

We have audited the accompanying financial report of South West Slopes Credit Union Limited (the Company), which comprises the statement of financial position as at 30 June 2013, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 25 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the 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 control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of South West Slopes Credit Union Limited on 25 September 2013 would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's opinion

In our opinion:

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

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

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

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

KPMG

KPMG

Richard Drinnan
Partner

Wollongong

Dated this 26th day of September 2013

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South West Slopes Credit Union

Annual Report