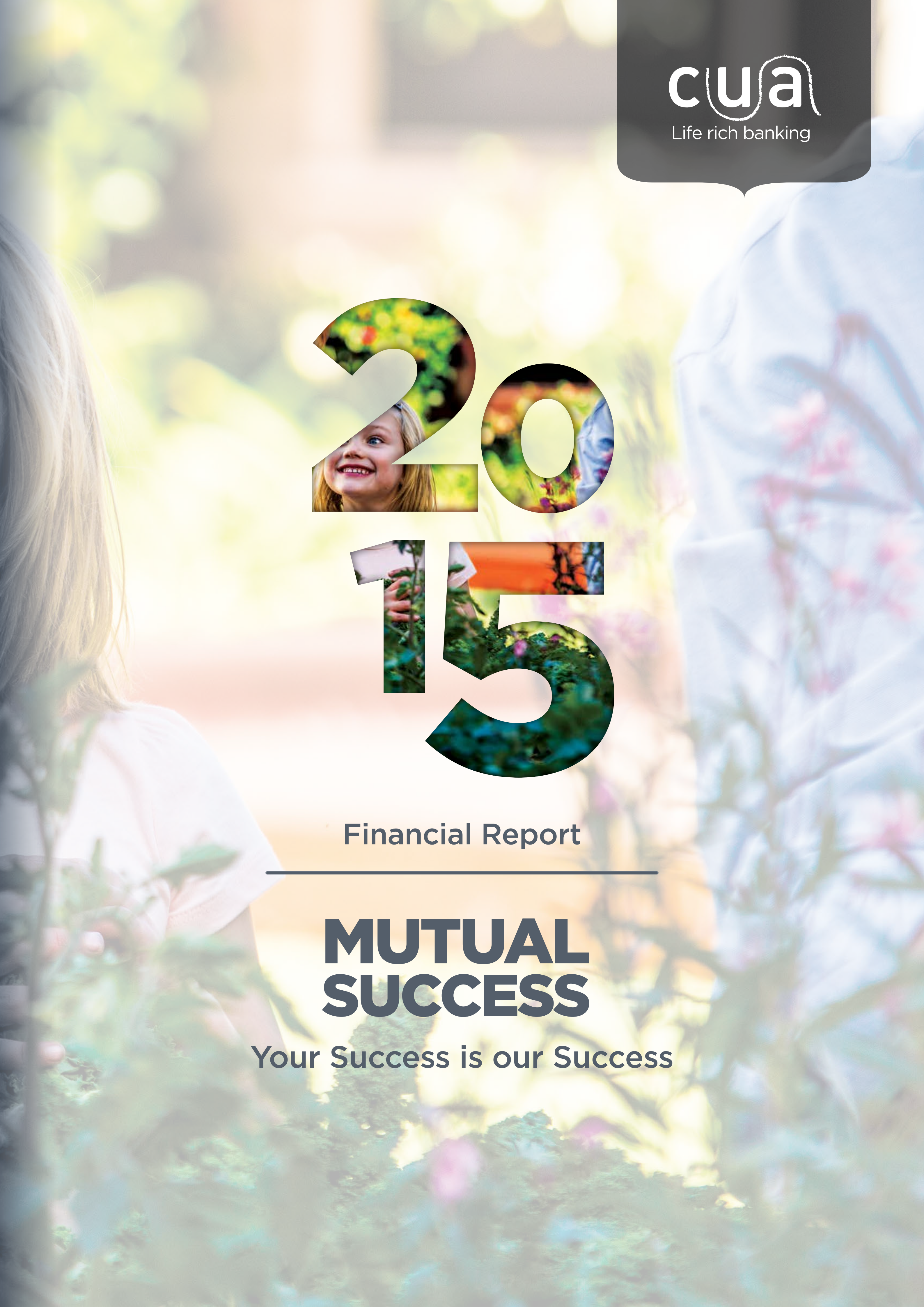

cua
Life rich banking

2015

Financial Report

MUTUAL SUCCESS

Your Success is our Success

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CREDIT UNION AUSTRALIA LTD

ABN 44 087 650 959

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2015

Contents

mutual
SUCCESS

your success
is our success

Directors' report

The Directors have pleasure in presenting their report together with the financial statements of Credit Union Australia Ltd (CUA/Credit Union) and of the Group, being CUA and its controlled entities, for the year ended 30 June 2015 and the auditor's report thereon.

Directors and Company Secretaries

Directors

The names and details of the Directors of CUA in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Alan Beanland
Nigel Ampherlaw
Paul Bedbrook
Peter Dowling (resigned 31 December 2014)
Elizabeth Foster (resigned 31 July 2014)
Deborah O'Toole
Michael Pratt
Wayne Stevenson
Christopher Whitehead (resigned 30 January 2015)

Details of Directors

Alan Beanland
B.Sc., FAICD
Chairman and Independent Non-Executive Director

Alan joined the Board in September 2009 and was elected Chairman in November 2009. In addition to his role as Chairman of the Board, Alan is Chairman of the Board Remuneration and Board Strategy & Innovation Committees. He is a member of the Board Risk Committee and a Director of Credicorp Insurance Pty Ltd.

Alan's business experience spans four continents and exceeds four decades with wide experience as a Director on diverse boards. Alan held senior executive positions with Colonial Mutual for 16 years. He has extensive experience in a number of industry sectors including financial services, superannuation, life insurance, property and technology. He served as the Chairman of Superpartners (2006-2012) and as a Director of Spotless Group Limited (ASX Listed) (2008-2012).

Alan is currently a Director of Colonial Foundation and, in August 2014, was appointed to the Board of Orygen, The National Centre of Excellence in Youth Mental Health.

Nigel Ampherlaw
B.Com., FCA, MAICD
Independent Non-Executive Director

Nigel joined the Board in March 2011. He is Chairman of the Board Audit Committee and member of the Board Risk and Board Remuneration Committees.

Nigel has extensive experience in risk management, technology, consulting and auditing for financial services institutions in Australia and the Asia-Pacific region. He is a chartered accountant by profession. He was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles.

Nigel is a Director of the Australian Red Cross Blood Service, Grameen Foundation Australia, Quickstep Holdings Limited and Elanor Funds Management Limited.

Paul Bedbrook
B.Sc., FFIN, FAICD
Independent Non-Executive Director

Paul joined the Board in July 2011. He is a member of the Board Strategy & Innovation Committee, Chairman of Credicorp Insurance Pty Ltd and a Director of CUA Health Ltd.

Paul has over 30 years' experience in financial services, specifically across the areas of banking, insurance and investment management. He is a former executive with ING (the Dutch global banking, insurance and investment group) and held CEO positions at INGDIRECT, ING Canada, ING Australia and ING Asia Pacific.

Paul is Chairman of Zürich Financial Services Australia, Elanor Investors Group and Disability Sports Australia. He is also a Director of the National Blood Authority.

Peter Dowling
AM, BA(Acc), FCPA, FAICD
Independent Non-Executive Director (resigned 31 December 2014)

Peter joined the Board in March 2003. He was a member of the Board Strategy Consultative Committee and, until July 2014, a Director of CUA Health Ltd.

Peter was a Partner of international accounting firm Ernst & Young, a Fellow of CPA Australia, The Institute of Chartered Accountants in Australia and The Australian Institute of Company Directors. Peter received the Centenary of Federation Medal in 2001 and was made a Member of the Order of Australia in 2007 for services to the accounting profession, business, education and the arts.

At the time of his resignation, Peter held a number of Directorships including non-executive roles at Credit Union Foundation Australia, TAFE Qld and Workcover Qld.

Elizabeth Foster
B.Bus.(Accounting), FCPA, GAICD, MAMI
Independent Non-Executive Director (resigned 31 July 2014)

Elizabeth joined the Board in January 2006 and while a Director she was a member of the Board Audit, Board Risk and Board Remuneration Committees. She was also a Director of Credicorp Insurance Pty Ltd.

At the time of her resignation, Elizabeth was a self-employed accountant who had extensive experience in finance. She previously worked for Telstra in senior management positions. She was CFO at CPA Australia, a finance consultant at the Catholic Education Office and CEO of RACV Credit Union.

She served on the Board of Credit Union Foundation Australia from 2003 to 2008.

Deborah O'Toole
LLB, MAICD
Independent Non-Executive Director

Deb joined the Board in March 2014. She is a Director of CUA Health Ltd and Credicorp Insurance Pty Ltd.

Deb is a qualified lawyer and has more than 30 years' experience in mining, resources and rail freight industries, 25 of which have been focused in the finance function including as CFO at Aurizon, Qld Cotton and MIM Holdings. She served as Chairman of the Audit Committee for CSIRO and the Norfolk Group and also on Boards of the MIM Group and the QR National/Aurizon Group. In 2013 she served as an Advisory Board Member at Pacific Aluminium. Deb was also a member of the former Workers' Compensation Board of Queensland and a former member of the Queensland Country Health Society.

Deb is a Director of the Wesley Research Institute, Sims Metal and is a member of the Queensland University of Technology Banking & Finance School Advisory Board.

Michael Pratt
SF Fin, GradDip(Org Beh), FAICD, FAIM, FAHRI, AMP(Harvard)
Independent Non-Executive Director

Mike joined the Board in January 2013. He is Chairman of the Board Risk Committee and is a member of the Board Audit and Board Strategy & Innovation Committees.

Mike has had an extensive career in banking and wealth management throughout Australia, New Zealand and Asia. He has held very senior positions at Standard Chartered Bank, Westpac, National Australia Bank and Bank of New Zealand. In all these roles he has driven major change, delivering strong financial results and much improved customer service across multiple channels. Mike is a former President of the Australian Institute of Banking & Finance and was the Inaugural Joint President of Finsia.

Mike is Commissioner for Service in the NSW Government and Deputy Chancellor at the University of Western Sydney. He is also Chairman of Bennelong Funds Management, a Non-Executive Director of TAL Life Insurance and Chairman of TAL's Risk Committee.

Wayne Stevenson
B.Com, CA, FAICD
Independent Non-Executive Director

Wayne joined the Board in February 2014. He is a member of the Board Audit, Board Risk and Board Remuneration Committees.

Wayne's executive background is largely in banking and financial services where he has held several senior positions across Australia, New Zealand and Asia. Wayne brings strong expertise of the financial services industry including 15 years in CFO roles involving significant acquisitions, restructures and divestments. Most recently he was Group General Manager, Group Strategy, ANZ and prior to that held the role of CFO Asia Pacific, ANZ.

Wayne is a Director at Onepath General Insurance, Onepath Life Insurance, ANZ Lenders Mortgage Insurance and is Chairman of QMS Media Ltd.

Christopher Whitehead
B.Sc(Hons), FAICD
Chief Executive Officer and Executive Director (resigned 30 January 2015)

Chris joined the Board in September 2011. He was a Director of Credicorp Insurance Pty Ltd, CUA Health Ltd and CUA Financial Planning Pty Ltd. He was also a member of the Board Strategy Consultative Committee.

Chris has over 25 years of experience across a broad range of organisations and roles. He commenced his career in the IT industry before moving into general management roles, including establishing the Australian subsidiary for an international IT services provider. Chris held executive level roles at a number of financial services institutions including Advance Bank, Bankwest and Bank of Scotland.

Chris was a Director with Cuscal Limited and was also a Director of a number of community and charitable organisations.

Company Secretaries

The Company Secretaries of CUA at any time during or since the end of the financial year are:

Nicole Pedwell (appointed 17 December 2014)
Alexander Ong
Sheridan Groth (resigned 18 July 2014)

Nicole Pedwell
B.IntBus, FGIA, FCIS
Company Secretary (appointed 17 December 2014)

Nicole joined CUA in November 2014 and was appointed Company Secretary of CUA in December 2014. She is also Company Secretary to CUA Health Ltd, Credicorp Insurance Pty Ltd, CUA Financial Planning Pty Ltd and Credicorp Finance Pty Ltd.

Nicole is a qualified Company Secretary, corporate governance and communications professional. Nicole has over 20 years' investor and stakeholder relations experience in both global and domestic financial services entities. Nicole holds a Bachelor of International Business from Griffith University and a Graduate Diploma in Applied Corporate Governance from the Governance Institute of Australia.

Alexander Ong
LL.B(Hons), B.Com
General Counsel and Company Secretary

Alex joined CUA in March 2013 as General Counsel and Company Secretary. He is also Company Secretary to CUA Health Ltd, Credicorp Insurance Pty Ltd, CUA Financial Planning Pty Ltd and Credicorp Finance Pty Ltd.

Alex is a financial services lawyer and compliance professional. His experience spans roles as a government regulator, in-house counsel and a private practitioner. Prior to CUA, Alex held senior roles leading the legal, compliance and risk management departments of leading financial services organisations, focussed on developing and implementing legal and compliance strategy, driving the development of a culture of compliance and overseeing strategies to reduce and manage enterprise risk. He has extensive company secretarial experience and regularly advises on general corporate law, Directors' duties and corporate governance. Alex holds a Bachelor of Laws (Hons) and Bachelor of Commerce (in accounting and finance) from the University of Sydney.

Sheridan Groth
LL.B, B.Bus(Accounting), AGIA
Company Secretary (resigned 18 July 2014)

Sheridan is a corporate governance, compliance and relationship management professional with extensive experience working with boards, executive management and operating committees. Sheridan has over ten years of experience in corporate governance across a range of sectors and industries including government, property development and mining with a strong foundation in legal, financial and commercial roles underpinning her governance expertise.

Directors' report

Directors' meetings

The number of meetings of Directors and meetings of Board Committees held during the year and the number of meetings attended by each Director was as follows:

A = Number of meetings eligible to attend.
B = Number of meetings attended.

	Board Meetings		Board Audit Committee		Board Risk Committee		Board Remuneration Committee		Transformation, Technology & Innovation Committee		Board Strategy Consultative Committee *		Board Strategy & Innovation Committee **	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A. Beanland	11	11	-	-	4	4	5	5	1	1	5	5	2	2
N. Ampherlaw	11	11	5	5	4	4	5	4	1	1	5	5	1	1
P. Bedbrook	11	10	-	-	-	-	3	2	-	-	-	-	1	1
P. Dowling	6	4	-	-	-	-	-	-	-	-	5	1	-	-
E. Foster	1	1	-	-	-	-	1	1	-	-	-	-	-	-
D. O'Toole	11	11	-	-	-	-	-	-	-	-	-	-	-	-
M. Pratt	11	11	5	4	4	3	-	-	1	1	5	4	2	1
W. Stevenson	11	11	5	5	4	4	2	2	1	1	-	-	-	-
C. Whitehead	6	6	-	-	-	-	-	-	-	-	5	5	-	-

* The Board Strategy Consultative Committee incorporated the Transformation, Technology & Innovation Committee effective September 2014.

** The Board Strategy & Innovation Committee replaced the Board Strategy Consultative Committee effective February 2015.

The above table relates to the CUA Directors' meetings. The subsidiaries of CUA have their own Boards and Board Committee meetings attended by the respective subsidiary Board members.

During the year, the CUA Board considered four Circular Resolutions. Six Circular Resolutions were considered by the CUA Board Committees.

Directors' benefits

During, or since the end of the financial year, no Director has received, or become entitled to receive, a benefit by reason of a contract entered into by CUA, or its controlled entities, with the Director, a firm of which the Director is a member, or an entity in which the Director has a substantial financial interest, other than a benefit to which the Director is entitled as a member of CUA. All transactions with entities associated with Directors are at arm's length and on commercial terms.

Indemnification of directors and officers

During the financial year, CUA paid an insurance premium in respect of an insurance policy for the benefit of directors, secretaries, executive officers and employees of the Credit Union and related entities. The insurance policy grants indemnification in respect of certain liabilities for which the Corporations Act 2001 allows indemnification. The insurance policy does not permit the disclosure of the nature of the liabilities insured nor the amount of the premium. No insurance cover has been provided for the benefit of the auditors of the Credit Union.

Financial performance disclosures

Principal activities

The principal activities of the Credit Union during the financial year comprised the raising of funds by deposit and the provision of loans and associated services to members. Through its controlled entities, the Group was also involved in general insurance and private health insurance.

Review of operations

The Group reported a net profit after income tax for the financial year ended 30 June 2015 of $48.8 million (2014: $50.0 million).

The year has seen significant growth in loans and advances (gross) of 15.5% year on year, to $10,389.5 million from $8,998.3 million, which has contributed to the improvement in net interest income over the year despite the margin compression resulting from cash rate reductions. Higher expenses for the Group are a result of an additional $1.2 million in core banking amortisation expense being a full year in the 2015 financial year (as disclosed in Note 2.3 of the financial statements) and strategic investments such as modernising the constitution and front-end system improvements. Additionally, there have been increased processing costs related to the record new volumes.

CUA continued to increase its household deposits in a competitive environment for deposit market share, growing 14.7% year on year to $7,774.0 million from $6,779.5 million.

CUA Health Ltd's contribution of $2.5 million to the Group result is down on prior year (2014: $7.9 million) as the change to a taxable entity has reduced net profit after tax by $2.8 million while increased commission and staff expense driven by volume of growth and investing in further capabilities has further impacted the result. For the Group, the change to a taxable entity provides CUA with the advantage of access to future dividends payable and resulting improvements in capital position.

On 1 July 2014, the sale of the financial planning business of CUA's subsidiary CUA Financial Planning Pty Ltd was completed, resulting in a net gain of $2.7 million. The disposal of the financial planning business is consistent with the Group's intention to focus on its core banking and health insurance operations.

Dividends

The constitution of the parent does not currently allow for the payment of dividends.

Non-IFRS information

The Group provides an additional measure of performance, underlying net profit after tax, which is prepared on a basis other than in accordance with International Financial Reporting Standards (IFRS). The Directors believe the non-IFRS information is useful for the users of this document as they reflect the underlying financial performance of the business. A reconciliation of underlying net profit after tax is presented below and the adjustments have been determined on a consistent basis with those made in the prior years. Underlying net profit after tax is not audited; however, the adjustments made in arriving at underlying net profit after tax are included in reportable net profit after tax which is subject to audit within the context of the Group audit opinion.

	Consolidated	
	2015 $'000	2014 $'000
Reportable net profit after tax	**48,814**	49,651
Less adjustment for specific item:		
After tax gain/(loss) on fair values of derivatives	**26**	147
Underlying net profit after tax	**48,788**	49,504

Directors' report

Risk management

The Group's strategic and operational outcomes are underpinned by the effective management of its key risks through the three lines of defence. The Group has continually evaluated and responded to risks faced through both internal and external factors, during the year, in accordance with our defined Risk Management Strategy.

The Group's Risk Management Strategy through the year has been to ensure we support the achievement our business strategy through a clear understanding and processes of how risk is to be effectively managed to achieve business growth, enhance financial performance, and maintain reputational integrity through efficient and effective operational and management processes. During this period we have continued to invest in improvements in the three lines of defence through ongoing investment in risk management processes, people and systems. This integrated approach brings together the individual material risk classes to form an organisational wide view of risk and enables management to manage risks across the business.

Other matters

Capital and Remuneration Prudential Disclosures

For ADI Prudential Standard (APS) 330 *Public Disclosure*, refer to the Prudential Disclosures section of the CUA website (http://www.cua.com.au/about-cua/corporate-governance/prudential-disclosures).

Significant changes in the state of affairs

On 25 February 2015, CUA established a new special purpose vehicle, the Series 2015-1 Harvey Trust, as part of CUA's loan securitisation program. CUA also provides arm's length interest rate swap facilities to the Trust.

On 1 July 2014, the sale of the financial planning business of CUA's subsidiary CUA Financial Planning Pty Ltd was completed. Refer to Note 2.2 of the financial statements for further details.

Events subsequent to balance date

On 5 July 2015, CUA withdrew from the Credit Union Financial Support System (CUFSS). Refer to Note 7.13 for details of CUA's obligations to the scheme that existed at balance date.

On 13 July 2015, all outstanding mortgage loans and receivables in the Series 2009-1 Harvey Trust ($125.3 million) and in the Series 2010-1 Harvey Trust ($202.9 million) were transferred to the Harvey Warehouse Trust No. 3. All securitisation borrowings in these two securitisation trusts were repaid to investors by Harvey Warehouse Trust No. 3, drawing against its Westpac borrowing facility.

Likely developments

No other matter, circumstance or likely development in the operations has arisen since the end of the financial year that has significantly affected or may significantly affect:

(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.

Environmental regulation

The Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. The Board believes that the Group is not aware of any breach of environmental requirements as they apply to the Group.

Directors' report

Rounding

Except where indicated, the amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars in accordance with ASIC Class Order 98/100.

Auditor's independence

The Directors have obtained a copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001.

Authorisation by Directors

This report is made in accordance with a resolution of the Board of Directors and is authorised for and on behalf of the Directors by:

Alan Beanland
Chairman

Nigel Ampherlaw
Director

Brisbane
26 August 2015

Auditor's independence declaration

KPMG

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

To: the directors of Credit Union Australia Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

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

KPMG

John Teer
Partner

Brisbane

26 August 2015

Income statements

For the year ended 30 June 2015

		Consolidated		Parent	
	Note	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Net interest income					
Interest income	2.1	**512,826**	506,480	**512,826**	506,480
Interest expense	2.1	**(301,726)**	(300,576)	**(302,274)**	(301,329)
Total net interest income		**211,100**	205,904	**210,552**	205,151
Other operating income	2.1	**16,229**	18,364	**30,341**	27,470
Net insurance income	6.1	**19,088**	18,183	**-**	-
Total net operating income		**246,417**	242,451	**240,893**	232,621
Expenses					
Impairment of loans and advances	2.3	**(2,059)**	(5,067)	**(2,059)**	(5,067)
Personnel	2.3	**(93,671)**	(91,733)	**(90,065)**	(89,509)
Occupancy		**(19,372)**	(19,133)	**(19,372)**	(19,133)
Depreciation of property, plant and equipment	2.3	**(8,372)**	(9,130)	**(8,366)**	(9,091)
Amortisation of intangible assets	2.3	**(7,503)**	(6,254)	**(7,501)**	(6,224)
Information technology		**(9,114)**	(9,923)	**(9,114)**	(9,923)
General administrative expense		**(22,617)**	(20,602)	**(21,041)**	(19,207)
Other expenses	2.3	**(18,056)**	(14,283)	**(17,714)**	(13,855)
Total operating expenses		**(180,764)**	(176,125)	**(175,232)**	(172,009)
Profit before income tax expense		**65,653**	66,326	**65,661**	60,612
Income tax expense	2.4	**(18,719)**	(17,068)	**(16,871)**	(16,548)
Profit from continuing operations		**46,934**	49,258	**48,790**	44,064
After tax profit from discontinued operation	2.2	**1,880**	393	**-**	-
Profit for the year		**48,814**	49,651	**48,790**	44,064
Profit for the year is attributable to:					
Members of the parent		**48,814**	49,651	**48,790**	44,064

Note: Comparative amounts have changed, refer to Note 7.15 for details.

The income statements should be read in conjunction with the accompanying notes.

Statements of comprehensive income

For the year ended 30 June 2015

		Consolidated		Parent	
	Note	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Profit for the year		**48,814**	49,651	**48,790**	44,064
Other comprehensive income					
Items that may be reclassified to profit or loss					
Net gain/(loss) on cash flow hedges taken to members' funds		**(19,467)**	1,183	**(19,467)**	1,183
Net fair value gain/(loss) on available for sale financial assets		**19,454**	-	**19,454**	-
Income tax on other comprehensive income	2.4	**4**	(355)	**4**	(355)
Other comprehensive income after tax		**(9)**	828	**(9)**	828
Total comprehensive income		**48,805**	50,479	**48,781**	44,892
Total comprehensive income for the period is attributable to:					
Members of the parent		**48,805**	50,479	**48,781**	44,892
Total comprehensive income for the period attributable to members of CUA arises from:					
Continuing operations		**46,925**	50,086	**48,781**	44,892
Discontinued operation		**1,880**	393	**-**	-
		48,805	50,479	**48,781**	44,892

The statements of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheets

For the year ended 30 June 2015

		Consolidated		Parent	
	Note	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Assets					
Cash and cash equivalents	4.1	**144,781**	97,069	**136,465**	86,469
Financial assets - fair value through profit or loss	4.2	**67,646**	57,036	**-**	-
Financial assets - held to maturity	4.2	**1,254,399**	1,037,840	**1,912,452**	1,538,629
Derivative financial instruments	5.3	**105**	-	**105**	-
Loans and advances	3.1	**10,390,631**	8,992,625	**10,390,631**	8,992,625
Financial assets - available for sale	4.2	**37,030**	13,984	**37,030**	13,984
Investments in controlled entities	7.8	**-**	-	**800**	800
Property, plant and equipment	7.1	**27,372**	35,289	**27,365**	35,229
Intangible assets	7.2	**48,435**	53,331	**48,430**	53,328
Deferred tax assets	2.4	**5,764**	8,718	**5,198**	7,768
Other assets	7.3	**11,596**	12,035	**3,777**	2,553
Assets classified as held for sale	2.2	**-**	872	**-**	-
Total assets		**11,987,759**	10,308,799	**12,562,253**	10,731,385
Liabilities					
Derivative financial instruments	5.3	**30,604**	10,320	**30,604**	10,320
Deposits	4.3	**7,777,533**	6,783,104	**7,777,752**	6,797,192
Borrowings	4.4	**3,241,992**	2,633,906	**3,912,575**	3,137,676
Other liabilities	7.4	**63,259**	55,891	**35,186**	29,315
Provisions	7.5	**18,498**	18,025	**18,498**	18,025
Liabilities classified as held for sale	2.2	**-**	485	**-**	-
Total liabilities		**11,131,886**	9,501,731	**11,774,615**	9,992,528
Net assets		**855,873**	807,068	**787,638**	738,857
Members' funds					
Reserves	7.6	**23,587**	23,507	**23,587**	23,507
Retained earnings		**832,286**	783,561	**764,051**	715,350
Total members' funds		**855,873**	807,068	**787,638**	738,857

The balance sheets should be read in conjunction with the accompanying notes.

Statements of changes in members' funds

For the year ended 30 June 2015

	Consolidated			Parent		
	Reserves $'000	**Retained earnings $'000**	**Total members' funds $'000**	**Reserves $'000**	**Retained earnings $'000**	**Total members' funds $'000**
Balance at 1 July 2013	17,900	738,689	756,589	17,900	676,065	693,965
Profit for the year after tax	-	49,651	49,651	-	44,064	44,064
Other comprehensive income after tax:						
Movement in Cash flow hedge reserve	828	-	828	828	-	828
Total comprehensive income for the period	828	49,651	50,479	828	44,064	44,892
Movement in General reserve for credit losses	4,667	(4,667)	-	4,667	(4,667)	-
Movement in Redeemable preference share reserve	112	(112)	-	112	(112)	-
Balance at 30 June 2014	23,507	783,561	807,068	23,507	715,350	738,857
Balance at 1 July 2014	**23,507**	**783,561**	**807,068**	**23,507**	**715,350**	**738,857**
Profit for the year after tax	**-**	**48,814**	**48,814**	**-**	**48,790**	**48,790**
Other comprehensive income after tax:						
Movement in Cash flow hedge reserve	**(13,627)**	**-**	**(13,627)**	**(13,627)**	**-**	**(13,627)**
Movement in Available for sale reserve	**13,618**	**-**	**13,618**	**13,618**	**-**	**13,618**
Total comprehensive income for the period	**(9)**	**48,814**	**48,805**	**(9)**	**48,790**	**48,781**
Movement in General reserve for credit losses	**2,067**	**(2,067)**	**-**	**2,067**	**(2,067)**	**-**
Movement in Redeemable preference share reserve	**108**	**(108)**	**-**	**108**	**(108)**	**-**
Movement in Asset revaluation reserve	**(2,086)**	**2,086**	**-**	**(2,086)**	**2,086**	**-**
Balance at 30 June 2015	**23,587**	**832,286**	**855,873**	**23,587**	**764,051**	**787,638**

Note: The nature of the reserves is disclosed in Note 7.6.

The statements of changes in members' funds should be read in conjunction with the accompanying notes.

Statements of cash flows

For the year ended 30 June 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000	Parent 2015 $'000	Parent 2014 $'000
Cash flows from operating activities					
Interest received		**516,480**	508,429	**514,243**	506,451
Interest paid		**(299,175)**	(300,380)	**(299,724)**	(301,133)
Fees and commissions received		**33,058**	31,785	**35,877**	34,768
Contributions/premiums received		**121,918**	105,941	**-**	-
Dividends received		**1,981**	2,564	**6,281**	4,214
Other non-interest income received		**4,959**	7,623	**8,732**	5,905
Benefits/claims paid		**(100,682)**	(84,042)	**-**	-
Fees and commissions paid		**(21,917)**	(17,114)	**(20,019)**	(17,072)
Payments to suppliers and employees		**(157,362)**	(160,657)	**(147,860)**	(149,206)
Income tax paid		**(20,693)**	(14,351)	**(19,553)**	(13,691)
Net (increase)/decrease in loans and advances to members		**(1,402,571)**	(427,388)	**(1,402,571)**	(427,388)
Net (increase)/decrease in placements and withdrawals from other financial institutions		**(226,918)**	104,178	**(373,711)**	136,821
Net increase/(decrease) in deposits due to members		**994,429**	229,872	**980,560**	214,897
Net cash provided by/(used in) operating activities	4.1	**(556,493)**	(13,540)	**(717,745)**	(5,434)
Cash flows from investing activities					
Net (increase)/decrease in available for sale securities		**(3,592)**	40	**(3,592)**	40
Payments for plant, equipment and software		**(10,319)**	(21,497)	**(10,300)**	(21,496)
Proceeds from sale of property, plant and equipment		**8,492**	390	**8,446**	390
Proceeds from sale of discontinued operation		**3,250**	-	**-**	-
Net cash provided by/(used in) investing activities		**(2,169)**	(21,067)	**(5,446)**	(21,066)
Cash flows from financing activities					
Proceeds from/(repayments to) borrowings		**606,374**	65,160	**773,187**	46,783
Net cash provided by financing activities		**606,374**	65,160	**773,187**	46,783
Net increase/(decrease) in cash and cash equivalents		**47,712**	30,553	**49,996**	20,283
Cash at the beginning of the year		**97,069**	66,516	**86,469**	66,186
Cash at the end of the year	4.1	**144,781**	97,069	**136,465**	86,469

Note: Comparative amounts have changed, refer to Note 7.15 for details.

The statements of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

For the year ended 30 June 2015

1. Basis of preparation

1.1 Corporate information

The financial report of Credit Union Australia Ltd (the Company / CUA / Credit Union) and the Group for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 26 August 2015.

Credit Union Australia Ltd is a for profit company incorporated and domiciled in Australia.

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

Credit Union Australia Ltd
Level 23
145 Ann Street
Brisbane QLD 4000

1.2 Basis of accounting

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards and the Corporations Act 2001.

This financial report has been prepared on an historical cost basis, except for derivative financial instruments, financial assets available for sale, assets classified as held for sale, land and buildings and financial assets held by Credicorp Insurance Pty Ltd and CUA Health Ltd which are carried at fair value through profit or loss.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

(b) Statement of compliance

The financial report complies with International Financial Reporting Standards (IFRS) which are applicable to the Group as issued by the International Accounting Standards Board.

1.3 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgments and estimates has been applied to the following areas. Refer to the respective notes for additional details.

	Reference
Deferred tax assets	Note 2.4
Impairment on loans and advances / Provision for impairment	Note 3.2
Insurance claims payable	Note 6.2
Useful life of major banking infrastructure software	Note 7.2
Fair value of financial instruments	Note 7.7

2. Financial performance

2.1 Income

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Net interest income				
Interest income				
Loans and advances	**472,453**	465,985	**472,453**	465,985
Other financial assets	**40,373**	40,495	**40,373**	40,495
	512,826	506,480	**512,826**	506,480
Interest expense				
Deposits	**(187,548)**	(193,830)	**(187,596)**	(194,464)
Borrowings	**(103,331)**	(95,027)	**(103,715)**	(95,032)
Other	**(10,847)**	(11,719)	**(10,963)**	(11,833)
	(301,726)	(300,576)	**(302,274)**	(301,329)
Total net interest income	**211,100**	205,904	**210,552**	205,151
Other operating income				
Fee and commission revenue	**32,768**	30,993	**35,463**	34,719
Fee and commission expense	**(23,362)**	(17,366)	**(20,019)**	(17,072)
Net fee and commission income	**9,406**	13,627	**15,444**	17,647
Dividends revenue	**1,981**	2,564	**6,281**	4,214
Net gain on sale of land and buildings	**643**	-	**643**	-
Net gain on derivative financial instruments	**37**	210	**37**	210
Rental income	**67**	34	**324**	453
Net gain/(loss) on financial assets designated at fair value through profit or loss	**(13)**	98	**-**	-
Other	**4,108**	1,831	**7,612**	4,946
Total other operating income	**16,229**	18,364	**30,341**	27,470

2.1 Income (continued)

Recognition and measurement

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

<u>Interest income and expense</u>

Interest income and expense is recognised as interest accrues using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

When a loan is classified as impaired the Group ceases to recognise interest revenue and other income earned but not yet received.

<u>Fee and commission revenue</u>

Fee and commission revenue are brought to account on an accrual basis over the period that they cover once a right to receive consideration has been attained. Financial service fees are recognised as and when the service is provided.

<u>Fee and commission expense</u>

Included in fee and commission expense are ATM fees, card and transaction fees.

Notes to the financial statements
For the year ended 30 June 2015

2.2 Assets and liabilities classified as held for sale and discontinued operation

(a) Disposal of financial planning business

On 7 May 2014, the CUA Board approved the sale of the financial planning business of its subsidiary CUA Financial Planning Pty Ltd (CUA FP). The disposal of the financial planning business is consistent with the Group's intention to focus on its core banking and insurance operations.

The sale agreement was finalised on 4 June 2014 with the sale effective on 1 July 2014 when all completion requirements stipulated by the sale agreement had been finalised and control passed to the acquirer. Consideration received, satisfied in cash, for the sale of the financial planning business was $3.3 miilion.

At 30 June 2014, the financial planning business was classified as a disposal group held for sale and as a discontinued operation. The proceeds of sale exceeded the carrying amount of the related net assets and, accordingly, no impairment losses were recognised on the reclassification of the financial planning business as held for sale.

(b) Assets and liabilities classified as held for sale

The major classes of assets and liabilities of the financial planning business classified as held for sale as at balance date are as follows:

	Consolidated	
	2015 $'000	2014 $'000
Assets - Fees and other receivables	**-**	872
Liabilities - Sundry creditors	**-**	485
Net assets directly associated with disposal group	**-**	387

(c) Analysis of profit for the year from discontinued operation

The results of the financial planning business for the year are presented below:

	Consolidated	
	2015 $'000	2014 $'000
Revenue	**-**	6,025
Expenses	**-**	(5,464)
Profit before income tax	**-**	561
Income tax expense (Note 2.4)	**-**	(168)
Profit after income tax from discontinued operation	**-**	393
Net gain on sale of discontinued operation	**2,686**	-
Income tax on gain on sale of discontinued operation (Note 2.4)	**(806)**	-
Profit for the year	**1,880**	393

(d) Cash flow from discontinued operation

The net cash flow generated by the financial planning business is as follows:

	Consolidated	
	2015 $'000	2014 $'000
Net cash from operating activities	**-**	95
Net cash flow for the year	**-**	95

2.3 Expenses

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Impairment of loans and advances				
Impairment charge (Note 3.2)	**(3,036)**	(5,753)	**(3,036)**	(5,753)
Bad debts recovered	**977**	686	**977**	686
	(2,059)	(5,067)	**(2,059)**	(5,067)
Personnel				
Salaries, wages and other personnel costs	**(87,534)**	(85,920)	**(84,183)**	(83,800)
Superannuation	**(6,137)**	(5,813)	**(5,882)**	(5,709)
	(93,671)	(91,733)	**(90,065)**	(89,509)
Depreciation				
Depreciation of buildings	**(40)**	(46)	**(40)**	(46)
Depreciation of plant and equipment	**(8,332)**	(9,084)	**(8,326)**	(9,045)
	(8,372)	(9,130)	**(8,366)**	(9,091)
Amortisation				
Amortisation of core banking platform	**(6,425)**	(5,231)	**(6,425)**	(5,231)
Amortisation of other software	**(1,078)**	(1,023)	**(1,076)**	(993)
	(7,503)	(6,254)	**(7,501)**	(6,224)
Other expenses				
Advertising	**(8,981)**	(8,676)	**(8,695)**	(8,538)
Professional services	**(9,079)**	(5,354)	**(9,039)**	(5,076)
Net gain/(loss) on disposal of plant and equipment	**4**	(253)	**20**	(241)
	(18,056)	(14,283)	**(17,714)**	(13,855)

2.4 Income tax

The components of income tax expense are:

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Income tax expense is attributable to:				
Profit from continuing operations	**18,719**	17,068	**16,871**	16,548
Profit from discontinued operation (Note 2.2)	**806**	168	**-**	-
	19,525	17,236	**16,871**	16,548
Current tax				
Current income tax	**17,326**	16,517	**15,056**	14,960
Adjustments in respect of current income tax of previous year	**(759)**	(3,565)	**(759)**	(3,552)
Deferred tax				
Relating to origination and reversal of temporary differences	**2,958**	4,284	**2,574**	5,140
	19,525	17,236	**16,871**	16,548
Deferred income tax expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets	**56**	(1,400)	**(324)**	(548)
(Decrease)/increase in deferred tax liabilities	**2,902**	5,684	**2,898**	5,688
	2,958	4,284	**2,574**	5,140

A reconciliation between the tax expense and the accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Accounting profit before tax from continuing operations	**65,653**	66,326	**65,661**	60,612
Profit before tax from a discontinued operation (Note 2.2)	**2,686**	561	**-**	-
Accounting profit before income tax	**68,339**	66,887	**65,661**	60,612
At Australia's statutory income tax rate of 30% (2014: 30%)	**20,502**	20,066	**19,698**	18,184
Adjust for tax effect of:				
Non-allowable expenses	**60**	62	**52**	62
CUA Health Ltd's net profit	**-**	(2,377)	**-**	-
Fully franked dividends received	**(594)**	(769)	**(1,884)**	(1,264)
Under/(over) provision in prior year	**(443)**	254	**(995)**	(434)
	19,525	17,236	**16,871**	16,548
Deferred income tax related to items charged or credited to other comprehensive income during the year is as follows:				
Net gain/(loss) on financial assets - available for sale	**5,836**	-	**5,836**	-
Net gain/(loss) on cash flow hedges	**(5,840)**	355	**(5,840)**	355
	(4)	355	**(4)**	355

Note: On 1 July 2014, CUA Health Ltd (a wholly owned subsidiary of CUA) converted to "for profit" after receiving approval from the Private Health Insurance Advisory Council (PHIAC) and as such CUA Health is subject to taxation for the year.

2.4 Income tax (continued)

Deferred income tax recorded on the statement of financial position relates to the following:

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Deferred tax assets comprise temporary differences attributable to:				
Provision for impairment of loans and advances	**5,404**	5,403	**5,404**	5,403
Employee benefits	**4,131**	4,436	**4,131**	4,436
Provisions and accruals	**2,536**	2,075	**2,378**	1,998
Derivative financial instruments	**8,745**	2,954	**8,783**	2,954
Deferred acquisition costs	**822**	-	**-**	-
Other	**30**	158	**406**	147
Capital gains	**-**	858	**-**	-
Total deferred tax assets	**21,668**	15,884	**21,102**	14,938
Deferred tax liabilities comprise temporary differences attributable to:				
Property, plant and equipment and intangible assets	**8,587**	6,098	**8,587**	6,102
Financial assets - available for sale	**5,836**	-	**5,836**	-
Securitisation setup costs	**1,481**	1,068	**1,481**	1,068
Total deferred tax liabilities	**15,904**	7,166	**15,904**	7,170
Net deferred tax assets	**5,764**	8,718	**5,198**	7,768
Unused tax losses for which no deferred tax asset has been recognised	**893**	892	**-**	-
Potential tax benefit @ 30%	**268**	268	**-**	-

All unused tax losses were incurred by Credicorp Finance Pty Ltd, an Australian entity that is not part of a tax consolidated group.

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Franking account balance	**224,743**	199,778	**219,162**	195,753

The ability to use these franking credits is restricted by the Constitution of CUA Ltd which does not currently permit dividend payment.

Notes to the financial statements
For the year ended 30 June 2015

2.4 Income tax (continued)

Recognition and measurement

Income tax expense comprises current and deferred tax. It 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 comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that is probable that future taxable profits will be available against which they can be used. 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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Use of judgments and estimates

Judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with tax planning strategies.

3. Loans and advances

3.1 Loans and advances

	Consolidated		Parent	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Term loans	**10,240,663**	8,823,036	**10,240,653**	8,823,026
Overdrafts	**148,801**	175,288	**148,801**	175,288
Gross loans and advances	**10,389,464**	8,998,324	**10,389,454**	8,998,314
Provision for impairment	**(7,369)**	(7,366)	**(7,359)**	(7,356)
Net deferred origination cost and fee revenue	**8,536**	1,667	**8,536**	1,667
Net loans and advances	**10,390,631**	8,992,625	**10,390,631**	8,992,625

3.2 Provision for impairment

	Consolidated		Parent	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Specific provision				
Opening balance	**950**	1,803	**940**	1,793
Charge to income statement	**2,631**	3,424	**2,632**	3,424
Bad debts written off	**(3,033)**	(4,277)	**(3,034)**	(4,277)
Closing balance	**548**	950	**538**	940
Collective provision				
Opening balance	**6,416**	4,087	**6,416**	4,087
Charge to income statement	**405**	2,329	**405**	2,329
Closing balance	**6,821**	6,416	**6,821**	6,416
Total provision for impairment	**7,369**	7,366	**7,359**	7,356

Recognition and measurement

Loans and advances are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised costs using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The losses arising from impairment are recognised in the income statement in 'impairment on loans and advances'.

Notes to the financial statements
For the year ended 30 June 2015

3.2 Provision for impairment (continued)

Recognition and measurement (continued)

Impairment of loans and advances

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

Specific provisions for impairment losses are measured as the difference between the loan's carrying amount and the value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the loan's original effective interest rate. Short term balances are not discounted. Impairment losses are recognised in the income statement. Bad debts are written off when identified. If a specific provision for impairment has been recognised in relation to a loan, write offs for bad debts are made against the provision. If no provision for impairment has previously been recognised, write offs for bad debts are recognised as expenses directly in the income statement.

In addition to the specific provision, a collective provision is calculated for the credit risk inherent within the loan portfolio. The collective provision applies a loss rate approach that uses historical loss experience to calculate incurred but not reported losses on the performing portfolio. A collective provision is also calculated on past due loans that have been specifically assessed as non-impaired. The loss rates are based on the arrears severity of the loans, and other default indicators.

All loans and advances are reviewed and graded according to the anticipated level of credit risk and the following classifications have been adopted:

"Restructured loans" are loans and other similar facilities where the original contractual terms have been modified to provide for concessions of interest, principal or repayment for reasons related to financial difficulties of the member or group of members. These loans are classified as "neither past due nor impaired".

"Past due but not impaired loans" are loans for which contractual interest or principal payments are past due but the Group believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the Group.

"Impaired loans" are loans and advances where the full recovery of outstanding principal and interest is considered doubtful.

Use of judgments and estimates

The Group reviews individually significant loans and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired, and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, historical performance and economic outlook).

4. Funding and liquidity

4.1 Cash and cash equivalents

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Cash on hand	**4,789**	4,969	**4,789**	4,969
Deposits on call due from Authorised Deposit Institutions	**139,992**	92,100	**131,676**	81,500
	144,781	97,069	**136,465**	86,469

Cash and cash equivalents include restricted balances of $84.5 million (2014: $60.9 million) in the Parent. The restricted cash represents deposits of $84.5 million (2014: $60.9 million) held in securitisation trust collection accounts which are not available to the Group.

Notes to the statements of cash flows

Reconciliation of profit for the year to net cash provided by/(used in) operating activities.

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Profit after tax from continuing operations	**46,934**	49,258	**48,790**	44,064
Profit after tax from discontinued operation (Note 2.2)	**1,880**	393	**-**	-
	48,814	49,651	**48,790**	44,064
Adjustments:				
Depreciation and amortisation	**15,875**	15,384	**15,867**	15,315
Impairment of loans and advances	**3,036**	5,753	**3,036**	5,753
Derivative financial instruments	**6,604**	(989)	**6,604**	(989)
(Gain)/loss on sale of property, plant and equipment	**(647)**	(40)	**(663)**	(52)
(Gain)/loss on sale of discontinued operation	**(2,686)**	-	**-**	-
Capitalised borrowing costs	**-**	(681)	**-**	(681)
Other non-cash items	**3,241**	873	**3,241**	873
(Increase)/decrease loans and advances	**(1,402,571)**	(427,388)	**(1,402,571)**	(427,388)
(Increase)/decrease financial assets	**(226,918)**	104,178	**(373,711)**	136,821
(Increase)/decrease deferred tax assets	**(2,934)**	4,639	**(3,318)**	5,494
(Increase)/decrease other assets	**1,113**	(1,154)	**(328)**	1,166
Increase/(decrease) deposits	**994,429**	229,872	**980,560**	214,897
Increase/(decrease) insurance policy liabilities	**2,973**	5,849	**-**	-
Increase/(decrease) income tax payable	**(4,127)**	(1,398)	**(5,257)**	(2,280)
Increase/(decrease) provisions	**(113)**	479	**(113)**	479
Increase/(decrease) other liabilities	**7,418**	1,432	**10,118**	1,094
Net cash provided by/(used in) operating activities	**(556,493)**	(13,540)	**(717,745)**	(5,434)

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

- movement in members' deposits;
- sales and purchases of investment securities;
- movement in borrowings; and
- provision of member loans and repayments.

4.1 Cash and cash equivalents (continued)

Recognition and measurement

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Reserve Bank of Australia and cash on deposits and call accounts with ADIs.

Cash and cash equivalents are carried at amortised cost in the balance sheet. Interest is brought to account using the effective interest rate method.

4.2 Financial assets

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Fair value through profit or loss				
Term deposits	**29,440**	24,762	**-**	**-**
Floating rate notes	**23,771**	23,737	**-**	**-**
Mortgage-backed securities	**14,435**	8,537	**-**	**-**
	67,646	57,036	**-**	**-**
Held to maturity				
Deposits with Authorised Deposit Institutions	**670,274**	636,448	**670,274**	636,448
Floating rate notes	**584,125**	401,392	**584,125**	401,392
Mortgage-backed securities	**-**	-	**658,053**	500,789
	1,254,399	1,037,840	**1,912,452**	1,538,629
Available for sale				
Shares in unlisted entities	**37,030**	13,984	**37,030**	13,984

There have been no reclassification or derecognition of financial assets during the year.

Recognition and measurement

Fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition at fair value through profit or loss. Investments typically bought with the intention to sell in the near future are classified as held for trading. The group of financial assets are managed and their performance is evaluated on a fair value basis where related liabilities are also managed on this basis. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise. Interest earned whilst holding these financial assets is reported as interest income using the effective interest rate.

Financial assets in this category relate to investments backing insurance liabilities (refer to Note 6 for further details).

4.2 Financial assets (continued)

Recognition and measurement (continued)

Held to maturity

Financial assets classified as held to maturity represent selected notes and deposits with ADIs and residential mortgage-backed securities and are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the effective interest rate. Gains and losses are recognised in the income statement when the financial assets are derecognised or impaired, as well as through the amortisation process.

Available for sale

Financial assets classified as available for sale (AFS) represent shares in non-controlled unlisted companies.

Gains and losses on AFS investments are recognised in members' funds as an available for sale reserve until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in members' funds is included in the income statement.

AFS investments are measured at fair value on initial recognition and subsequent measurement when they can be estimated reliably. Where their value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably, subject to impairment testing.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the counterparties or borrowers or a group of counterparties or borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measureable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follow:

- If the expected restructuring will not result in derecognition of the existing asset, then the estimated cash flow arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Notes to the financial statements
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4.3 Deposits

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Members' shares	**3,580**	3,619	**3,580**	3,619
Members' call deposits	**4,343,170**	3,492,639	**4,343,389**	3,496,479
Members' term deposits	**3,430,783**	3,286,846	**3,430,783**	3,297,094
	7,777,533	6,783,104	**7,777,752**	6,797,192

There is no concentration of customer or industry groups, which represent 10% or more of total liabilities.

The value of member shares above represents the amounts contributed for the purchase of a single voting share held by each member.

At the Extraordinary General Meeting (EGM) on 6 November 2014, members voted for the removal of the membership fee requirement in the CUA Constitution. This amendment to the Constitution allows CUA to grant membership without collecting a fee in future. All existing members are able to obtain a refund of their membership fee by applying to swap their current share for a new identical share that has nil fee.

Recognition and measurement

All deposits and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowings. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

4.4 Borrowings

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Securitisation trust borrowings	**1,651,591**	1,221,178	**2,309,645**	1,721,967
Securitisation warehouse borrowings	**222,375**	463,688	**222,375**	463,688
Term borrowings	**1,368,026**	949,040	**1,380,555**	952,021
	3,241,992	2,633,906	**3,912,575**	3,137,676

For recognition and measurement details, refer to Note 4.3.

4.5 Standby borrowing facilities

In the normal course of business CUA enters into various types of contracts which give rise to the following standby and overdraft facilities:

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
(i) Overdraft				
Approved limit	**10,000**	10,000	**10,000**	10,000
Amount utilised	**-**	-	**-**	-
(ii) Waratah Finance Pty Ltd				
Approved limit	**383,000**	500,000	**383,000**	500,000
Amount utilised	**183,725**	336,174	**183,725**	336,174
(iii) Westpac Banking Corporation				
Approved limit	**385,000**	150,000	**385,000**	150,000
Amount utilised	**37,848**	124,973	**37,848**	124,973
(iv) Reserve Bank Australia (internal securitisation)				
Approved limit	**527,714**	384,600	**527,714**	384,600
Amount utilised	**-**	-	**-**	-

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5. Risk and capital management

5.1 Risk management

Introduction and overview

We have identified 10 material risks associated with the Group's core activities. Included in these are the financial risks of credit risk, non-traded market risk and liquidity risk. Regulatory & Legal, Financial, Operational and Information & Technology risks are how we execute the delivery of our products and achieve our strategic objectives. Strategic, innovation and project risks are focused on our current strategic and commercial objectives. In addition the Group is exposed to insurance underwriting risk through the provision of private health insurance through its subsidiary CUA Health Ltd and general insurance through its subsidiary Credicorp Insurance Pty Ltd.

Risk management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework, including the risk appetite for CUA. CUA has established the Enterprise Risk Committee (ERCO) and the Asset and Liability Management Committee (ALCO), which are responsible for monitoring the Group's risk management framework.

The Board Audit Committee (BAC) and the Board Risk Committee (BRC) oversee how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The BAC is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BAC.

CUA has a second line of defence through a risk management function, headed by the Chief Risk Officer, which contributes towards the progressive development of the Group's risk management policies, risk management strategies, controls and processes. The function also provides management and the Board with risk reporting and maintains the regulatory compliance framework in line with regulator expectations.

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

Details on the Group's approach to managing insurance risk are contained in Note 6.3. Details on the Group's approach to managing financial risks are outlined below.

5.1 Risk management (continued)

(a) Market risk and hedging policy

CUA is not exposed to significant currency risk and the Credit Union does not trade in the financial instruments it holds. CUA is exposed to interest rate risk arising from changes in market interest rates. As part of its financial risk management, CUA contracts in Pay Fixed Receive Floating Swaps to hedge the interest rate risk associated with offering longer term fixed rate loans funded by shorter term liabilities. In transacting the swaps, movements in the shorter term funding are offset with the floating leg of the swap.

CUA uses the Value at Risk (VaR) methodology for quantifying interest rate risk in terms of the potential for loss given the statistical worst-case probability of a shift in the underlying interest rates. The VaR model uses the variance/covariance approach with underlying assumptions of the model including a 20 day holding period at a 99% confidence level for a 250 day observation period.

The VaR includes assumptions around prepayment risk. Prepayment risk is the risk that the Credit Union will incur a financial loss because its members and counterparties repay or request repayment earlier than expected, such as fixed interest rates when interest rates fall. The level of repayments used in the model are monitored and reviewed monthly.

The policy of the Group is to set a maximum benchmark VaR as a percentage of its capital that is acceptable to the Board given its risk attitude and objectives. The hedges assist in maintaining the VaR within acceptable limits as set by the Board.

The below table represents the average, maximum and minimum VaR% as measured at the end of each month over the financial year.

	2015	2014
Average	0.42%	1.14%
Maximum	0.60%	1.50%
Minimum	0.29%	0.78%

5.1 Risk management (continued)

(a) Market risk and hedging policy (continued)

The Group is exposed to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate on classes of financial assets and financial liabilities. These assets and liabilities are included at carrying amount and categorised by contractual repricing dates.

Consolidated Repricing period at 30 June 2015	**At call/ variable**	**Fixed interest rate maturing**			**Non interest bearing**	**Total**
		Within 1 year	**1 to 5 years**	**Over 5 years**		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash and cash equivalents	**139,992**	**-**	**-**	**-**	**4,789**	**144,781**
Financial assets - fair value through profit or loss	**-**	**67,646**	**-**	**-**	**-**	**67,646**
Financial assets - held to maturity	**-**	**1,254,399**	**-**	**-**	**-**	**1,254,399**
Derivative financial instruments	**-**	**105**	**-**	**-**	**-**	**105**
Loans and advances (Gross)	**5,945,314**	**802,728**	**3,518,675**	**122,747**	**-**	**10,389,464**
Financial assets - available for sale	**-**	**-**	**-**	**-**	**37,030**	**37,030**
Total	**6,085,306**	**2,124,878**	**3,518,675**	**122,747**	**41,819**	**11,893,425**
Liabilities						
Derivative financial instruments	**-**	**30,604**	**-**	**-**	**-**	**30,604**
Deposits	**4,346,750**	**3,204,412**	**226,371**	**-**	**-**	**7,777,533**
Borrowings	**1,873,966**	**1,364,961**	**3,065**	**-**	**-**	**3,241,992**
Commitments (Note 7.10)	**558,666**	**-**	**-**	**-**	**74,126**	**632,792**
Total	**6,779,382**	**4,599,977**	**229,436**	**-**	**74,126**	**11,682,921**

Consolidated Repricing period at 30 June 2014	At call/ variable	Fixed interest rate maturing			Non interest bearing	Total
		Within 1 year	1 to 5 years	Over 5 years		
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	92,100	-	-	-	4,969	97,069
Financial assets - fair value through profit or loss	-	57,036	-	-	-	57,036
Financial assets - held to maturity	-	1,037,840	-	-	-	1,037,840
Derivative financial instruments	-	-	-	-	-	-
Loans and advances (Gross)	4,972,824	874,758	3,071,405	79,337	-	8,998,324
Financial assets - available for sale	-	-	-	-	13,984	13,984
Total	5,064,924	1,969,634	3,071,405	79,337	18,953	10,204,253
Liabilities						
Derivative financial instruments	-	10,320	-	-	-	10,320
Deposits	3,496,258	3,063,564	223,282	-	-	6,783,104
Borrowings	1,684,866	949,040	-	-	-	2,633,906
Commitments (Note 7.10)	517,804	-	-	-	79,635	597,439
Total	5,698,928	4,022,924	223,282	-	79,635	10,024,769

5.1 Risk management (continued)

(a) Market risk and hedging policy (continued)

Parent Repricing period at 30 June 2015	At call/ variable	Fixed interest rate maturing Within 1 year	1 to 5 years	Over 5 years	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	**131,676**	**-**	**-**	**-**	**4,789**	**136,465**
Financial assets - held to maturity	**-**	**1,912,452**	**-**	**-**	**-**	**1,912,452**
Derivative financial instruments	**-**	**105**	**-**	**-**	**-**	**105**
Loans and advances (Gross)	**5,945,304**	**802,728**	**3,518,675**	**122,747**	**-**	**10,389,454**
Financial assets - available for sale	**-**	**-**	**-**	**-**	**37,030**	**37,030**
Total	**6,076,980**	**2,715,285**	**3,518,675**	**122,747**	**41,819**	**12,475,506**
Liabilities						
Derivative financial instruments	**-**	**30,604**	**-**	**-**	**-**	**30,604**
Deposits	**4,346,969**	**3,204,412**	**226,371**	**-**	**-**	**7,777,752**
Borrowings	**1,873,966**	**2,035,543**	**3,066**	**-**	**-**	**3,912,575**
Commitments (Note 7.10)	**558,666**	**-**	**-**	**-**	**74,126**	**632,792**
Total	**6,779,601**	**5,270,559**	**229,437**	**-**	**74,126**	**12,353,723**

Parent Repricing period at 30 June 2014	At call/ variable	Fixed interest rate maturing Within 1 year	1 to 5 years	Over 5 years	Non interest bearing	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	81,500	-	-	-	4,969	86,469
Financial assets - held to maturity	-	1,538,629	-	-	-	1,538,629
Derivative financial instruments	-	-	-	-	-	-
Loans and advances (Gross)	4,972,814	874,758	3,071,405	79,337	-	8,998,314
Financial assets - available for sale	-	-	-	-	13,984	13,984
Total	5,054,314	2,413,387	3,071,405	79,337	18,953	10,637,396
Liabilities						
Derivative financial instruments	-	10,320	-	-	-	10,320
Deposits	3,500,097	3,073,813	223,282	-	-	6,797,192
Borrowings	1,684,866	1,452,810	-	-	-	3,137,676
Commitments (Note 7.10)	517,804	-	-	-	79,635	597,439
Total	5,702,767	4,536,943	223,282	-	79,635	10,542,627

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5.1 Risk management (continued)

(b) Credit risk

All loans are subject to continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. The Group sets aside provisions for loans in accordance with its internal policies and procedures, which comply with AASB 139 *Financial Instruments: Recognition and Measurement* and the Australia Prudential Regulation Authority's Prudential Standard APS 220 *Credit Quality*. The amount recoverable from the fair value of the collateral held against past due or impaired loans is capped at the loan amount outstanding to the extent that CUA is obliged to repay the surplus to the member.

The following table represents an ageing analysis of assets past due but not impaired as at 30 June:

Consolidated and Parent 2015	**Past due but not impaired**			
	Less than 28 days	**28-90 days**	**More than 90 days**	**Total**
Class of asset	**$'000**	**$'000**	**$'000**	**$'000**
Loans held at amortised cost	**193,950**	**50,046**	**3,744**	**247,740**

Consolidated and Parent 2014	Past due but not impaired			
	Less than 28 days	28-90 days	More than 90 days	Total
Class of asset	$'000	$'000	$'000	$'000
Loans held at amortised cost	167,230	47,322	8,970	223,522

Credit risk – counterparty concentration

Counterparty concentration risk is monitored daily by the Treasury and Risk Departments and monthly by the Asset and Liability Committee (ALCO). Limits are set by the Board based on credit ratings and the duration of the investment. These limits adhere to the Australian Prudential Regulation Authority's (APRA) APS 221 *Large Exposures*. There have been no breaches of APS 221 during the financial year. The maximum exposure is limited to the carrying amount in the balance sheet.

To facilitate the requirements of participation in the Credit Union Financial Support System (CUFSS) up to 5 July 2015 (refer Note 7.12 and 7.13), CUA has deposits and investments with Cuscal Limited of $180.2 million (2014: $213.0 million).

Credit risk – loan portfolio

The following table shows CUA's Loan to Value Ratio's (LVR) on its residential term loan portfolio.

	Consolidated and Parent	
	2015	2014
	$'000	$'000
LVR 0% - 60%	**2,541,937**	2,104,542
LVR 60.01% - 80%	**5,255,831**	4,262,660
LVR 80.01% - 90%	**1,335,644**	1,273,883
LVR 90.01% - 100%	**887,255**	959,854
LVR > 100%	**16,560**	17,848
	10,037,227	8,618,787

During the year, CUA took possession of properties with a carrying value of $6.2 million (2014: $4.3 million).

5.1 Risk management (continued)

(b) Credit risk (continued)

Credit quality by class of financial assets

CUA manages the credit quality of financial assets using internal credit ratings. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on CUA's internal credit rating system. The amounts are presented gross of impairment allowances.

Consolidated - 2015	**Neither past due nor impaired**			**Past due but not impaired**	**Impaired**	**Total**
	High grade	**Standard grade**	**Sub-standard grade**			
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash and cash equivalents	**144,781**	**-**	**-**	**-**	**-**	**144,781**
Financial assets - fair value through profit or loss	**67,646**	**-**	**-**	**-**	**-**	**67,646**
Financial assets - held to maturity	**1,254,399**	**-**	**-**	**-**	**-**	**1,254,399**
Derivative financial instruments	**105**	**-**	**-**	**-**	**-**	**105**
Loans and advances (Gross):						
Residential mortgages	**-**	**9,443,686**	**314,048**	**227,611**	**51,882**	**10,037,227**
Commercial lending	**-**	**38,276**	**766**	**1,068**	**-**	**40,110**
Personal lending	**-**	**274,650**	**14,495**	**19,061**	**3,921**	**312,127**
Total	**1,466,931**	**9,756,612**	**329,309**	**247,740**	**55,803**	**11,856,395**

Consolidated - 2014	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High grade	Standard grade	Sub-standard grade			
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	97,069	-	-	-	-	97,069
Financial assets - fair value through profit or loss	57,036	-	-	-	-	57,036
Financial assets - held to maturity	1,037,840	-	-	-	-	1,037,840
Derivative financial instruments	-	-	-	-	-	-
Loans and advances (Gross):						
Residential mortgages	-	8,026,165	352,859	203,026	36,737	8,618,787
Commercial lending	-	40,838	6,103	1,406	30	48,377
Personal lending	-	292,665	14,845	19,090	4,560	331,160
Total	1,191,945	8,359,668	373,807	223,522	41,327	10,190,269

5.1 Risk management (continued)

(b) Credit risk (continued)

Credit quality by class of financial assets (continued)

Parent - 2015	**Neither past due nor impaired**			**Past due but not impaired**	**Impaired**	**Total**
	High grade	**Standard grade**	**Sub-standard grade**			
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Assets						
Cash and cash equivalents	**136,465**	**-**	**-**	**-**	**-**	**136,465**
Financial assets - held to maturity	**1,912,452**	**-**	**-**	**-**	**-**	**1,912,452**
Derivative financial instruments	**105**	**-**	**-**	**-**	**-**	**105**
Loans and advances (Gross):						
Residential mortgages	**-**	**9,443,686**	**314,048**	**227,611**	**51,882**	**10,037,227**
Commercial lending	**-**	**38,276**	**766**	**1,068**	**-**	**40,110**
Personal lending	**-**	**274,640**	**14,495**	**19,061**	**3,921**	**312,117**
Total	**2,049,022**	**9,756,602**	**329,309**	**247,740**	**55,803**	**12,438,476**

Parent - 2014	Neither past due nor impaired			Past due but not impaired	Impaired	Total
	High grade	Standard grade	Sub-standard grade			
	$'000	$'000	$'000	$'000	$'000	$'000
Assets						
Cash and cash equivalents	86,469	-	-	-	-	86,469
Financial assets - held to maturity	1,538,629	-	-	-	-	1,538,629
Derivative financial instruments	-	-	-	-	-	-
Loans and advances (Gross):						
Residential mortgages	-	8,026,165	352,859	203,026	36,737	8,618,787
Commercial lending	-	40,838	6,103	1,406	30	48,377
Personal lending	-	292,655	14,845	19,090	4,560	331,150
Total	1,625,098	8,359,658	373,807	223,522	41,327	10,623,412

5.1 Risk management (continued)

(b) Credit risk (continued)

Credit risk – geographical analysis

CUA is of the opinion that there is no undue concentration of risk by way of geographical area or account holder groupings. Specific risk reports are prepared and distributed in order to ensure that the business has access to necessary and comprehensive information. The table below shows the geographical split of gross loans and advances of the Group and the Parent.

	2015		2014	
	Housing loans	**Other loans**	Housing loans	Other loans
State	**$'000**	**$'000**	$'000	$'000
Queensland	**4,293,588**	**168,040**	3,959,974	178,740
New South Wales	**2,915,107**	**98,351**	2,425,869	107,036
Victoria	**2,141,491**	**58,044**	1,734,956	64,653
Western Australia	**475,537**	**10,189**	356,056	11,486
Australian Capital Territory	**123,114**	**3,269**	85,589	3,121
South Australia	**55,440**	**1,145**	30,112	989
Tasmania	**15,657**	**636**	11,675	559
Northern Territory	**15,140**	**944**	13,541	1,084
Other	**2,153**	**11,619**	1,015	11,869
Total	**10,037,227**	**352,237**	8,618,787	379,537

The risk of losses from loans granted is primarily reduced by the nature and quality of the security taken. That is, the security for all loans is fully insured. This is initially achieved on the financing of a loan, by proof of insurance being required before funding occurs; the borrower is then required to maintain this insurance. In addition, Innocent Mortgagee Coverage, which provides coverage in the event of loss if the borrower does not have insurance in place, has been taken out by CUA. The maximum exposure is no different to the carrying values of the loans.

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5.1 Risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due, caused by a mismatch in cash flows. The primary liquidity objective is to fund in a way that will facilitate growth in core business under a wide range of market conditions.

ALCO maintains oversight of asset and liability management including liquidity management. The Group's liquidity policies are approved by the Board on the recommendation of ALCO. Policies and limits are consistent with the requirements of APRA's APS 210 *Liquidity*. During the past year the Credit Union did not breach these requirements.

Funding and liquidity management is performed centrally within the Treasury Department, with oversight from the Risk Division, ALCO and Board. Treasury manages liquidity on a daily basis and Risk provides daily information to the Chief Financial Officer and Chief Risk Officer, and monthly information to both ALCO and the Board. To facilitate the liquidity management process, investments are placed with approved deposit taking institutions (ADIs) regulated by APRA. The extent to which CUA will invest its liquid investments in any one institution is based upon predetermined exposure limits which are supported by a risk assessment.

The following table shows the period in which different monetary 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. For term loans the below dissection is based upon contractual conditions of each loan being strictly complied with and is subject to change in the event that current repayment conditions are varied.

The amounts disclosed in the table are the contractual undiscounted cash flows. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Consolidated - 2015	**Within 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Total $'000**
Liabilities					
Derivative financial instruments	**1,552**	**3,313**	**14,841**	**11,435**	**31,141**
Members' shares	**3,580**	**-**	**-**	**-**	**3,580**
Members' call deposits	**4,343,170**	**-**	**-**	**-**	**4,343,170**
Members' term deposits	**363,759**	**875,526**	**2,005,846**	**242,914**	**3,488,045**
Borrowings	**265,802**	**616,582**	**913,526**	**1,172,238**	**2,968,148**
Total financial liabilities	**4,977,863**	**1,495,421**	**2,934,213**	**1,426,587**	**10,834,084**

Consolidated - 2014	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Total $'000
Liabilities					
Derivative financial instruments	750	1,428	5,439	2,964	10,581
Members' shares	3,619	-	-	-	3,619
Members' call deposits	3,492,639	-	-	-	3,492,639
Members' term deposits	429,429	646,429	2,034,806	242,137	3,352,801
Borrowings	380,415	496,626	740,570	849,271	2,466,882
Total financial liabilities	4,306,852	1,144,483	2,780,815	1,094,372	9,326,522

5.1 Risk management (continued)

(c) Liquidity risk (continued)

Parent - 2015	**Within 1 month $'000**	**1-3 months $'000**	**3-12 months $'000**	**1-5 years $'000**	**Total $'000**
Liabilities					
Derivative financial instruments	**1,552**	**3,313**	**14,841**	**11,435**	**31,141**
Members' shares	**3,580**	**-**	**-**	**-**	**3,580**
Members' call deposits	**4,343,388**	**-**	**-**	**-**	**4,343,388**
Members' term deposits	**363,759**	**875,526**	**2,005,846**	**242,914**	**3,488,045**
Borrowings	**286,912**	**650,769**	**1,038,004**	**1,519,665**	**3,495,350**
Total financial liabilities	**4,999,191**	**1,529,608**	**3,058,691**	**1,774,014**	**11,361,504**

Parent - 2014	Within 1 month $'000	1-3 months $'000	3-12 months $'000	1-5 years $'000	Total $'000
Liabilities					
Derivative financial instruments	750	1,428	5,439	2,964	10,581
Members' shares	3,619	-	-	-	3,619
Members' call deposits	3,496,479	-	-	-	3,496,479
Members' term deposits	430,439	652,508	2,038,015	242,137	3,363,099
Borrowings	391,088	524,215	826,017	1,115,985	2,857,305
Total financial liabilities	**4,322,375**	**1,178,151**	**2,869,471**	**1,361,086**	**9,731,083**

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5.2 Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the Group's capital management strategies are to ensure that the Credit Union maintains sufficient capital resources to support the Group's business activities and operational requirements and to ensure continuous compliance with externally imposed capital ratios. The Credit Union uses capital to reinvest in the business to enhance products and services supplied to the members of the Credit Union.

The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision and adopted by APRA in supervising the Credit Union. During the past year, the Credit Union has complied in full with all its externally imposed capital requirements.

	Consolidated	
	As at June 2015	As at June 2014
Risk weighted capital ratios		
Tier 1	**14.02%**	14.89%
Tier 2	**0.38%**	0.40%
Total capital ratio	**14.40%**	15.29%
	$'000	$'000
Qualifying capital		
Tier 1	**686,710**	652,671
Tier 2	**18,247**	17,598
Total qualifying capital	**704,957**	670,269
Total risk weighted assets	**4,896,681**	4,352,838

5.3 Derivative financial instruments

Swaps

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

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Interest rate swap contracts

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either the market risk or the credit risk.

	Assets 2015 $'000	**Liabilities 2015 $'000**	**Notional amount 2015 $'000**	Assets 2014 $'000	Liabilities 2014 $'000	Notional amount 2014 $'000
Derivatives used as cash flow hedges						
Interest rate swaps	**105**	**30,604**	**2,470,000**	-	10,320	1,830,000

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

5.3 Derivative financial instruments (continued)

Cash flow hedges

The Group is exposed to variability in the future interest cash flows on non-trading assets and liabilities which bear interest at a variable rate. The Group uses interest rate swaps as cash flow hedges of these interest rate risks. Below is a schedule indicating as at 30 June, the periods when the hedged cash flows are expected to occur and when they are expected to affect profit or loss.

2015	**Within 1 year $'000**	**1-2 years $'000**	**2-3 years $'000**	**3-4 years $'000**	**4-5 years $'000**
Cash inflows	**-**	**-**	**-**	**186**	**27**
Cash outflows	**(19,766)**	**(10,813)**	**(663)**	**-**	**-**
Net cash flows	**(19,766)**	**(10,813)**	**(663)**	**186**	**27**

2014	Within 1 year $'000	1-2 years $'000	2-3 years $'000	3-4 years $'000	4-5 years $'000
Cash inflows	-	-	394	9	-
Cash outflows	(7,617)	(3,367)	-	-	-
Net cash flows	(7,617)	(3,367)	394	9	-

The net gain/(loss) on derivatives through the income statement during the year was as follows:

	2015 $'000	2014 $'000
Net gain/(loss) on derivatives reclassified through profit or loss	**67**	103
Net gain/(loss) on ineffective hedges	**(30)**	107
Net gain/(loss) on derivatives at fair value through profit or loss	**37**	210

5.3 Derivative financial instruments (continued)

Recognition and measurement

CUA uses interest rate swaps to hedge its interest rate risk. Such derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value.

For derivatives which do not qualify for hedge accounting, changes in fair value are recorded in 'net gain or loss on derivatives at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense respectively, according to the terms of the contract.

Hedge accounting

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

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each quarter. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in members' funds in the 'cash flow hedge reserve'. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in the income statement.

When the hedged cash flow affects the income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the income statement. When a hedging instrument expires or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the cash flow hedge reserve at that time remains in the reserve and is recognised when the hedged forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the cash flow hedge reserve is immediately transferred to the income statement.

6. Insurance business

6.1 Key financial information

The following table summarises the key financial information of the insurance businesses of CUA Health Ltd (CHL) and Credicorp Insurance Pty Ltd (CCI) which contribute to the income statement and balance sheet of the Group.

	2015 $'000	2014 $'000
Income statement extract		
Net premium revenue	**126,649**	114,307
Claims expense	**(109,938)**	(98,236)
Interest revenue	**2,377**	2,112
Net insurance income	**19,088**	18,183
Balance sheet extract		
Assets		
Investments backing insurance liabilities	**67,646**	57,036
Deferred acquisition costs	**2,528**	1,927
Rebate receivable from health insurance commission	**2,899**	2,573
Receivable from Risk Equalisation Trust Fund	**1,255**	3,133
Liabilities		
Insurance claims payable	**9,105**	8,082
Unearned premiums	**7,255**	6,478

The insurance claims payable amount represents a combination of a central estimate, risk margin, allowance for claims handling expenses and a probability of adequacy of at least 75% (2014: 75%) for both companies. The risk margins are 15.5% (2014: 15.5%) and 20% (2014: 20%) respectively for CHL and CCI.

6.2 Key insurance accounting policies

Premium revenue

Premium revenue comprises amounts charged to policyholders and is inclusive of government rebates where applicable. Premium revenue is recognised when earned over the period of the policy.

Claims expense

Claims expense represents the charge to the income statement for the period and represents the sum of claims settled and claims management expenses relating to claims incurred in the period and the movement in the provision for outstanding claims over the period.

Interest revenue

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

Investments backing insurance liabilities

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Investment assets backing insurance liabilities are designated at fair value through profit or loss as required by AASB 1023 *General Insurance Contracts*.

6.2 Key insurance accounting policies (continued)

Deferred acquisition costs

Acquisition costs incurred in obtaining insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the profit or loss in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

Net Risk Equalisation Trust Fund receivable (health insurance business)

Under the provision of the private health insurance legislation, all private health insurers must participate in the Risk Equalisation Trust Fund. Through the Risk Equalisation Trust Fund, all private health insurers share the cost of proportions of the eligible claims of all persons aged 55 years and over and claims meeting the high cost claims criteria.

The amount payable to or receivable from the Risk Equalisation Trust Fund is determined by APRA after the end of each quarter. Estimated provisions for amounts payable or receivable are provided for periods of which determinations have not yet been made, including an estimate of risk equalisation for unpresented and outstanding claims.

Insurance claims payable

The claim liabilities provide for the expected future payments in relation to claims reported but not yet paid or assessed and claims incurred but not yet reported with an allowance for claims handling expenses. The claim liabilities are measured as the central estimate of the expected future payments against claims incurred but not settled as at the reporting date under insurance contracts issued by the Group, with an additional risk margin to allow for inherent uncertainty in the central estimate. It assumes that the development pattern of the current claims will be consistent with historical experience.

Unexpired risk liability

The liability adequacy test is required to be performed to determine whether the unearned premium liability (premiums in advance and unclosed premium liability) is adequate to cover the present value of expected cash flows relating to future claims arising from rights and obligations under current insurance coverage, plus additional risk margin to reflect the inherent uncertainty in the central estimate.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient. Liability adequacy testing did not result in deficiency for the years ended 30 June 2015 and 30 June 2014.

Use of judgment and estimates

A liability is recorded at the end of the year for the estimated cost of claims incurred but not yet settled at the reporting date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes expenses to be incurred in settling claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. Given the uncertainty in establishing claims provisions it is likely that the final outcome will prove to be different from the original liability established.

6.3 Insurance risk

Health insurance

The provision of private health insurance in Australia is governed by the Private Health Insurance Act 2007 (The Act) which is premised on the fundamental principal of community rating.

Community rating is a form of mandatory cross-subsidy which requires that the premium paid for a person’s chosen health insurance product, and the cover available under that product, are the same regardless of the health or demographic characteristics of the individual seeking coverage. Australian private health insurers are prohibited from discriminating on the basis of past or likely future health or risk factors such as age, pre-existing condition, gender, race or lifestyle in the premiums that they charge. This important characteristic of the industry means that the costs of healthcare, heavily skewed toward older age, are not directly reflected in the consumer’s cost of health insurance. Premiums are only allowed to vary by Risk Equalisation Jurisdiction (State).The risk equalisation scheme seeks to share the risks among all registered health insurers by averaging out the cost of hospital treatment across the industry.

Furthermore, under The Act premiums are only able to be changed once a year and require the approval of the Minister for Health and products must have minimum coverage requirements. This inability to risk rate or quickly change premiums, and the highly regulated nature of private health insurance are all included in CHL’s risk management strategy and is a way that CHL mitigates its exposure to insurance risk.

The key policies and controls in place to mitigate risks in health insurance include:

- Operation of the Risk Equalisation Trust Fund;
- Use of actuarial models based on historical data to calculate claims and monitor claims patterns;
- Monitoring of fund rules and changes as appropriate;
- Internal audit which provides independent assurance regarding the adequacy of controls over activities where the risks are perceived to be high;
- Regular risk and compliance monitoring;
- Industry policies and APRA requirements;
- Capital management policy and the maintenance of reserves in excess of capital adequacy regulatory requirements;
- Pricing Philosophy;
- Risk Appetite Statement.

There is concentration of private health insurance risk into the areas where CHL has a higher than average policy holder base, for example, Queensland.

Because of the Community Rating Principle CHL is unable to set different prices based on an individual’s age or to reflect their previous claims history, as such we are unable to directly mitigate these concentrations of private health insurance risks.

General insurance

General insurance contracts are defined as a contract under which CCI accepts significant insurance risk from another party by agreeing to compensate those insured from a specified uncertain event that adversely affects them. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once insurance cover has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduced significantly during the period. CCI has determined that all insurance cover provided are insurance contracts.

CCI has concentration of general insurance risk exposure with unemployment and accident insurance services. These exposures are reviewed each year in assessing provisions for insurance liabilities.

6.4 Capital management

(a) CUA Health Ltd

The CHL's board policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The CHL Board effectively manages the capital by assessing the financial risks and adjusting its capital management policy and liquidity management plan in response to changes in these risks.

Under the Private Health Insurance (Prudential Supervision) Act 2015, from 1 July 2015 responsibility for the prudential supervision of private health insurers transferred from the Private Health Insurance Administration Council (PHIAC) to APRA. APRA's Prudential Standards, HPS 100 *Solvency Standard* and HPS 110 *Capital Adequacy* have replaced PHIAC's Solvency (which applied from 1 July 2014) and Capital Adequacy standard (which applied from 31 March 2014).

The Solvency standard aims to ensure liquidity of sufficient quantum and quality exists to meet all the liabilities of the fund, as they become due. The standard consists of a requirement to hold a prescribed level of cash, and also mandates a liquidity management plan.

The Capital Adequacy standard aims to ensure that there is sufficient capital within a health benefits fund to enable the ongoing conduct of the business of the fund. The standard consists of a requirement to hold a prescribed level of assets to be able to withstand adverse experience, and also mandates a capital management policy. The capital management policy includes target capital levels, capital trigger points and corrective action plans.

CHL submits audited returns to APRA at the end of each financial year. At balance date, CHL had $51.8 million (2014: $51.9 million) excess assets for the Quantum of Assets Test in the Capital Adequacy Standard and $4.5 million (2014: $5.0 million) excess qualifying assets for the Solvency Test in the Solvency Standard. There has been no breach of externally imposed capital requirements during the year (2014: nil).

(b) Credicorp Insurance Pty Ltd

The CCI's board policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. The CCI Board effectively manages the capital by assessing the financial and insurance risks and adjusting its target minimum capital levels in response to changes in these risks. The CCI Board of Directors also monitors the level of dividends to the ordinary shareholder.

All insurers that conduct insurance business in Australia are authorised by APRA and are subject to a prescribed capital amount (PCA).

Under the Prudential Standards for General Insurers, the minimum PCA that can apply for an insurer is $5.0 million. The PCA will increase with the size of the insurer's operations. In addition, Prudential Standard GPS 110 *Capital Adequacy* requires that insurers maintain a capital base in excess of its minimum capital requirement. CCI has not breached any externally imposed capital requirements during the year (2014: nil).

CCI has set out in its Internal Capital Adequacy Assessment Process (ICAAP), a targeted minimum capital amount equal to the greater of $6.0 million or 150% of the sum of the prudential risk charges, calculated in accordance with the Prudential Standards using the Prescribed Method as outlined under GPS 110 *Capital Adequacy*. CCI has maintained target capital levels during the financial year. Capital levels and the PCA coverage ratio are calculated and reported to the CCI Board on a regular basis.

	2015 $'000	2014 $'000
Prescribed capital amount per APRA	**5,000**	5,000
Targeted minimum capital amount per ICAAP	**6,000**	6,000
Capital base	**6,861**	6,834

7. Other notes

7.1 Property, plant and equipment

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Land and buildings - at fair value	**839**	8,497	**839**	8,497
Accumulated depreciation	**(23)**	(196)	**(23)**	(196)
Land and buildings - at fair value	**816**	8,301	**816**	8,301
Plant and equipment - at cost	**53,482**	55,881	**53,427**	55,692
Accumulated depreciation	**(32,971)**	(32,292)	**(32,923)**	(32,163)
Plant and equipment	**20,511**	23,589	**20,504**	23,529
Capital work in progress	**6,045**	3,399	**6,045**	3,399
Total property, plant and equipment	**27,372**	35,289	**27,365**	35,229

Reconciliation of carrying amounts

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Land - carrying amount at beginning of financial year	**6,649**	6,649	**6,649**	6,649
Disposals	**(6,125)**	-	**(6,125)**	-
Land - carrying amount at end of financial year	**524**	6,649	**524**	6,649
Buildings - carrying amount at beginning of financial year	**1,652**	1,698	**1,652**	1,698
Depreciation expense	**(40)**	(46)	**(40)**	(46)
Disposals	**(1,320)**	-	**(1,320)**	-
Buildings - carrying amount at end of financial year	**292**	1,652	**292**	1,652
Total net carrying amount of land and buildings	**816**	8,301	**816**	8,301
Plant and equipment - carrying amount at beginning of financial year	**23,589**	28,708	**23,529**	28,604
Depreciation expense	**(8,332)**	(9,084)	**(8,326)**	(9,045)
Additions / Transfers from capital work in progress	**5,646**	4,277	**5,631**	4,282
Disposals	**(392)**	(312)	**(330)**	(312)
Plant and equipment - carrying amount at end of financial year	**20,511**	23,589	**20,504**	23,529

7.1 Property, plant and equipment (continued)

Capital work in progress

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Capital work in progress - carrying amount at beginning of financial year	**3,399**	40,955	**3,399**	40,955
Additions	**7,808**	20,361	**7,808**	20,361
Transfers to plant and equipment	**(2,967)**	(2,485)	**(2,967)**	(2,485)
Transfers to intangible assets	**(2,195)**	(55,432)	**(2,195)**	(55,432)
Capital work in progress - carrying amount at end of financial year	**6,045**	3,399	**6,045**	3,399

During the 2014 financial year the development of the core banking system had been finalised and commissioned. Amounts previously carried in capital work in progress had been transferred to intangible assets and amortised in accordance with the accounting policy detailed in Note 7.2.

Revaluation of freehold land and buildings

The fair values of freehold land and buildings have been determined by reference to Directors' valuations, based upon independent valuations previously obtained. Fair value of the properties was determined using market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

It is the policy of the Group to have an independent valuation undertaken at least every four years. The properties' fair values are based on valuations performed by Herron Todd White, an accredited independent valuer, as at 30 June 2012. In 2015, the Directors have determined based on external commercial property market data that there are no circumstances requiring an independent valuation and the current carrying value remains appropriate as at 30 June 2015.

In 2015, CUA sold the majority of its properties. The remaining land and building consists of office property in Australia. The fair value measurement for this property has been categorised as a Level 3 fair value.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Cost	**839**	5,559	**839**	5,559
Accumulated depreciation	**(23)**	(524)	**(23)**	(524)
Net carrying amount	**816**	5,035	**816**	5,035

7.1 Property, plant and equipment (continued)

Recognition and measurement

Property

Freehold land and buildings are measured at fair value less subsequent depreciation and impairment losses. It is the policy of the Group to have an independent valuation undertaken at least every four years, with annual appraisals being made by the Directors.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Any revaluation increment is credited to the asset revaluation reserve included in members' funds, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses.

Depreciation

All property, plant and equipment including buildings and capitalised leased assets but excluding freehold land, is depreciated over their expected useful lives to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Depreciation is calculated using the straight-line method to write down the cost of the asset to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Asset category	
Buildings	40 years
Motor vehicles	5 years
Computer hardware	4 years
Office furniture and equipment	3-5 years
Leasehold improvements	3-10 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Assets under $300 are not capitalised.

An item is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

Capital work in progress

Research costs are expensed as incurred. Development expenditures on individual projects are recognised in Capital work in progress when the Group can demonstrate:

- The technical feasibility of completing the capital project so that it will be available for use or sale;
- Its intention to complete and its ability to use the capital project;
- How the capital project will generate future economic benefits;
- The availability of resources to complete the capital project; and
- The ability to measure reliably the expenditure during the development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated depreciation/amortisation and accumulated impairment losses. Depreciation/amortisation of the asset begins when development is complete and the asset is available for use and occurs over the period of expected future benefit.

7.2 Intangible assets

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Computer software at cost	**69,366**	67,093	**69,277**	67,008
Accumulated amortisation	**(20,931)**	(13,762)	**(20,847)**	(13,680)
	48,435	53,331	**48,430**	53,328
Reconciliation of carrying amounts				
Computer software	**53,331**	3,729	**53,328**	3,691
Additions	**419**	462	**415**	455
Transfers from capital work in progress	**2,195**	55,432	**2,195**	55,432
Disposals	**(7)**	(38)	**(7)**	(26)
Amortisation expense	**(7,503)**	(6,254)	**(7,501)**	(6,224)
Net carrying amount	**48,435**	53,331	**48,430**	53,328

For further details on the amount transferred from capital work in progress, refer to Note 7.1.

Recognition and measurement

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

Asset category	
Major banking infrastructure software	10 years
Other computer software	3-5 years

Use of judgments and estimates

The Group estimates the useful life of its major banking infrastructure software to be at least 10 years based on the expected technical obsolescence of such assets and benchmark comparison of other similar platforms. However, the actual useful life may be shorter or longer than 10 years, depending on technical innovations and competitor actions.

7.3 Other assets

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Deferred acquisition costs	**2,528**	1,927	**-**	-
Rebate receivable from health insurance commission	**2,899**	2,573	**-**	-
Receivable from Risk Equalisation Trust Fund	**1,255**	3,133	**-**	-
Income tax receivable	**1,105**	-	**1,008**	-
Sundry debtors	**2,764**	2,710	**1,741**	1,147
Prepayments	**1,045**	1,692	**1,028**	1,406
	11,596	12,035	**3,777**	2,553

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7.4 Other liabilities

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Trade creditors and accruals	**44,640**	36,051	**35,186**	25,068
Insurance claims payable	**9,105**	8,082	**-**	-
Unearned premiums	**7,255**	6,478	**-**	-
Income tax payable	**2,259**	5,280	**-**	4,247
	63,259	55,891	**35,186**	29,315

7.5 Provisions

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Employee benefits	**13,769**	14,787	**13,769**	14,787
Make good provision				
Opening balance	**3,238**	3,291	**3,238**	3,291
Additional provision recognised	**676**	544	**676**	544
Amounts used during the year	**(227)**	(597)	**(227)**	(597)
Net carrying amount	**3,687**	3,238	**3,687**	3,238
Other provisions	**1,042**	-	**1,042**	-
Total provisions	**18,498**	18,025	**18,498**	18,025

Recognition and measurement

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

<u>Employee benefits</u>

Employee provisions comprise liabilities for employee benefits arising from services rendered by employees to balance date. Employee benefits have maturities of both less than one year and greater than one year and have been measured at the amounts expected to be paid when the liability is settled plus related on-costs.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made.

Superannuation contributions are made by the Group to defined contribution superannuation funds and are charged as expenses when incurred.

<u>Make good provision</u>

CUA is required to restore the leased premises of its branches and hub offices to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. The provision is assessed at each balance date for new, amended and expired leases. The estimate of the costs has been calculated using historical costs.

7.6 Reserves

	Consolidated		Parent	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
General reserve for credit losses				
Balance at beginning of financial year	**16,178**	11,511	**16,178**	11,511
Movement from retained earnings	**2,067**	4,667	**2,067**	4,667
Total general reserve for credit losses	**18,245**	16,178	**18,245**	16,178
Redeemable preference share reserve				
Balance at beginning of financial year	**2,559**	2,447	**2,559**	2,447
Movement from retained earnings	**108**	112	**108**	112
Total redeemable preference share reserve	**2,667**	2,559	**2,667**	2,559
Available for sale reserve				
Balance at beginning of financial year	**-**	-	**-**	-
Net increase in reserve	**13,618**	-	**13,618**	-
Total available for sale reserve	**13,618**	-	**13,618**	-
Asset revaluation reserve				
Balance at beginning of financial year	**2,086**	2,086	**2,086**	2,086
Net decrease in reserve	**(2,086)**	-	**(2,086)**	-
Total asset revaluation reserve	**-**	2,086	**-**	2,086
Cash flow hedge reserve				
Balance at beginning of financial year	**(6,906)**	(7,734)	**(6,906)**	(7,734)
Net gain/(loss) on cash flow hedges	**(13,627)**	828	**(13,627)**	828
Total cash flow hedge reserve	**(20,533)**	(6,906)	**(20,533)**	(6,906)
Business combination reserve				
Balance at beginning of financial year	**9,590**	9,590	**9,590**	9,590
Net increase in reserve	**-**	-	**-**	-
Total business combination reserve	**9,590**	9,590	**9,590**	9,590
Total reserves	**23,587**	23,507	**23,587**	23,507

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7.6 Reserves (continued)

Nature and purpose of reserves

General reserve for credit losses
CUA is required by APRA to maintain a general reserve for credit losses. The general reserve for credit losses and collective provision for impairment are aggregated for the purpose of reporting the general reserve for credit losses to APRA.

Redeemable preference share reserve
Under the Corporations Act 2001, redeemable preference shares (member shares) may only be redeemed out of the Credit Union's profit or through the new issue of shares for the purpose of the redemption. The Credit Union therefore has transferred the value of member shares redeemed since 1 July 1999 (the date that the Corporations Act 2001 applied to the Credit Union), from retained earnings to the redeemed preference share reserve. The value of member shares for existing members is disclosed as a liability in Note 4.3.

Available for sale reserve
Comprises changes in fair value of available for sale investments.

Asset revaluation reserve
Represents gain on revaluation of property owned by the Group.

Cash flow hedge reserve
Comprises the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Business combination reserve
This reserve is used to record mergers with other mutual entities. Identifiable assets and liabilities of the "acquired" mutual entities are recognised at their fair value at the date of the merger. The excess of the fair value of assets taken up over liabilities assumed is taken directly to members' funds as a business combination reserve.

7.7 Fair value of financial instruments

Financial instruments measured at fair value – fair value hierarchy
The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Consolidated - 2015	**Fair value**				**Carrying amount**
	Level 1	**Level 2**	**Level 3**	**Total**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Financial assets - fair value through profit or loss	**-**	**67,646**	**-**	**67,646**	**67,646**
Derivative financial instruments	**-**	**105**	**-**	**105**	**105**
Financial assets - available for sale	**-**	**-**	**37,030**	**37,030**	**37,030**
Total financial assets at fair value	**-**	**67,751**	**37,030**	**104,781**	**104,781**
Financial liabilities					
Derivative financial instruments	**-**	**30,604**	**-**	**30,604**	**30,604**
Total financial liabilities at fair value	**-**	**30,604**	**-**	**30,604**	**30,604**

Consolidated - 2014	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Financial assets - fair value through profit or loss	-	57,036	-	57,036	57,036
Derivative financial instruments	-	-	-	-	-
Financial assets - available for sale	-	-	13,984	13,984	13,984
Total financial assets at fair value	-	57,036	13,984	71,020	71,020
Financial liabilities					
Derivative financial instruments	-	10,320	-	10,320	10,320
Total financial liabilities at fair value	-	10,320	-	10,320	10,320

7.7 Fair value of financial instruments (continued)

Financial instruments measured at fair value – fair value hierarchy (continued)

Parent - 2015	**Fair value**				**Carrying amount**
	Level 1	**Level 2**	**Level 3**	**Total**	
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets					
Derivative financial instruments	**-**	**105**	**-**	**105**	**105**
Financial assets - available for sale	**-**	**-**	**37,030**	**37,030**	**37,030**
Total financial assets at fair value	**-**	**105**	**37,030**	**37,135**	**37,135**
Financial liabilities					
Derivative financial instruments	**-**	**30,604**	**-**	**30,604**	**30,604**
Total financial liabilities at fair value	**-**	**30,604**	**-**	**30,604**	**30,604**

Parent - 2014	Fair value				Carrying amount
	Level 1	Level 2	Level 3	Total	
	$'000	$'000	$'000	$'000	$'000
Financial assets					
Derivative financial instruments	-	-	-	-	-
Financial assets - available for sale	-	-	13,984	13,984	13,984
Total financial assets at fair value	-	-	13,984	13,984	13,984
Financial liabilities					
Derivative financial instruments	-	10,320	-	10,320	10,320
Total financial liabilities at fair value	-	10,320	-	10,320	10,320

Level 3 fair value measurement

The following table shows a reconciliation from the opening balance to the closing balance for fair value measurement in Level 3 of fair value hierarchy.

i) Reconciliation

	Consolidated and Parent	
	2015	2014
	$'000	$'000
Balance at 1 July	**13,984**	13,984
Purchases	**3,592**	-
Remeasurement recognised in OCI	**19,455**	-
Balance at 30 June	**37,030**	13,984

ii) Fair value approach

The financial assets designated as available for sale (AFS) at 30 June 2015 consist of shares in a non-listed entity which are not actively traded. In the current financial year, the fair value of these assets has been estimated taking into consideration recently transacted prices for the shares, transaction and earnings multiple of other similar entities and the net asset value per share of the underlying investment. The AFS investment is categorised at Level 3 in the fair value hierarchy given the unobservability of these valuation variables.

7.7 Fair value of financial instruments (continued)

Financial instruments not measured at fair value – fair value hierarchy
The following table sets out the fair value of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each instrument is categorised.

Consolidated - 2015	Fair value				Carrying amount
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	$'000
Financial assets					
Loans and advances	**-**	**-**	**10,186,910**	**10,186,910**	**10,390,631**
Total financial assets	**-**	**-**	**10,186,910**	**10,186,910**	**10,390,631**
Financial liabilities					
Deposits	**-**	**7,726,959**	**-**	**7,726,959**	**7,777,533**
Total financial liabilities	**-**	**7,726,959**	**-**	**7,726,959**	**7,777,533**

Consolidated - 2014	Fair value				Carrying amount
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	$'000
Financial assets					
Loans and advances	-	-	8,780,962	8,780,962	8,992,625
Total financial assets	-	-	8,780,962	8,780,962	8,992,625
Financial liabilities					
Deposits	-	6,771,403	-	6,771,403	6,783,104
Total financial liabilities	-	6,771,403	-	6,771,403	6,783,104

7.7 Fair value of financial instruments (continued)

Financial instruments not measured at fair value – fair value hierarchy (continued)

Parent - 2015	Fair value				Carrying amount
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	$'000
Financial assets					
Loans and advances	**-**	**-**	**10,186,910**	**10,186,910**	**10,390,631**
Total financial assets	**-**	**-**	**10,186,910**	**10,186,910**	**10,390,631**
Financial liabilities					
Deposits	**-**	**7,727,178**	**-**	**7,727,178**	**7,777,752**
Total financial liabilities	**-**	**7,727,178**	**-**	**7,727,178**	**7,777,752**

Parent - 2014	Fair value				Carrying amount
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000	$'000
Financial assets					
Loans and advances	-	-	8,780,962	8,780,962	8,992,625
Total financial assets	-	-	8,780,962	8,780,962	8,992,625
Financial liabilities					
Deposits	-	6,785,491	-	6,785,491	6,797,192
Total financial liabilities	-	6,785,491	-	6,785,491	6,797,192

Loans and advances

Where observable market transactions are not available to estimate the fair value of loans and advances, fair value is estimated using valuation models such as discounted cash flow techniques. For more details on the valuation of loans and advances and inputs to the valuation, refer to page 63.

7.7 Fair value of financial instruments (continued)

Recognition and measurement

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific financial instruments.

All financial assets and liabilities are initially recognised on the settlement date.

Fair value: The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date. The following methods and assumptions are used to determine the net fair values of financial assets and liabilities.

Cash and cash equivalents: The carrying amount approximates fair value as they are short term in nature or are receivable on demand.

Financial assets - fair value through profit or loss: These assets are general insurance assets backing general insurance liabilities and are therefore designated at fair value through profit or loss to reduce the accounting mismatch between assets and related liabilities. These assets are valued based on quoted market prices; where these are not available the following alternative valuation techniques are used:

- Floating Rate Notes - external broker valuations,
- Retail Mortgage Backed Securities - external broker valuations,
- Term Deposits - the amortised cost is deemed to represent fair value, due to their short term nature (all mature within 3 months of year end) and the lack of fluctuations in the market interest rates or credit quality of the counterparts since their inception.

Financial assets - held to maturity: Financial assets held to maturity are initially recognized at fair value and subsequently carried at amortised cost as these assets are intended to be held until maturity. The carrying value of financial assets held to maturity at 30 June 2015 approximate fair value as they are short term in nature or they reprice on a quarterly basis. Financial assets held to maturity are categorised at Level 2 in the fair value hierarchy.

Derivative financial instruments: The fair value for derivative financial instruments are from quoted closing market prices at balance date, discounted cash flow models or option pricing models as appropriate. Where there is no market value, the fair value is determined using valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable either directly or indirectly. The fair values of derivative financial instruments take into account both credit valuation adjustments (CVA) and debit valuation adjustments (DVA) when market participants take this into consideration in pricing the derivatives.

7.7 Fair value of financial instruments (continued)

Recognition and measurement (continued)

Loans and advances: The carrying value of loans, advances and other receivables is net of provisions for impairment. The fair value is determined by adjusting the fixed rate loan portfolio for current market rates as at balance date.

For variable rate loans, excluding impaired loans, the carrying amount is a reasonable estimate of the net fair value. The net fair value for fixed rate loans was calculated by utilising discounted cash flow models based on the maturity of the loans and creditworthiness of the customer. The discount rates applied were based on the current benchmark rate offered for the average remaining term of the portfolio as at balance date.

Financial assets - available for sale: The assets in this category relate to shares in non-listed entities. These assets are measured at fair value on initial recognition and subsequent measurement when they can be estimated reliably. Where their value cannot be measured reliably, the assets are measured at the carrying amount determined at the last date on which the fair value could be determined reliably, subject to impairment testing.

Borrowings: The carrying values of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently. Borrowings are categorised at Level 2 in the fair value hierarchy.

Deposits: The net fair value for deposits was calculated by utilising discounted cash flow models based on the maturity of the deposits. The discount rates applied were based on the current benchmark rate offered for the actual remaining term of the portfolio as at balance date.

The net fair value of non-interest bearing, call and variable rate deposits repriced within twelve months is the carrying value as at balance date.

Use of judgments and estimates

Where the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be derived from active markets, they are determined using a variety of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available these assets are valued using valuation techniques based on non-observable data.

7.8 Related parties

(a) Key management personnel

Compensation of CUA Directors and key management personnel (KMP)

Compensation shown as short term benefits means (where applicable) salaries, paid annual leave and paid sick leave, bonuses, value of fringe benefits received, but excludes out of pocket expense reimbursements. CUA Directors and KMP are only remunerated by the parent entity.

	Directors		KMP	
	2015	2014	**2015**	2014
	$	$	**$**	$
The aggregate compensation of key management persons during the year comprising amount paid or payable or provided for was as follows:				
- Short term employee benefits	**770,926**	819,642	**4,361,713**	3,570,905
- Post employment benefits - superannuation	**71,415**	71,597	**233,940**	159,044
- Other long term benefits	**-**	-	**608,466**	446,295
- Termination benefits	**197,769**	93,242	**427,768**	176,275
	1,040,110	984,481	**5,631,887**	4,352,519

Financial instruments transactions with CUA Directors and key management personnel (KMP)

Loans to CUA Directors and KMP

	2015	2014
	$	$
Aggregate of loans as at balance date	**4,747,978**	6,608,029
Total undrawn revolving credit facilities available at balance date	**-**	170,482
Interest charged on loans and overdraft facilities	**219,697**	321,843

The above table includes amounts for CUA Directors and KMP in office or employed by CUA at balance date and their related parties. Directors and KMP who resigned during the 2015 financial year are excluded from the 2015 analysis, but are included in the 2014 comparative analysis.

CUA's policy for lending to CUA Directors and KMP is that all loans are approved under the same lending criteria applicable to members. All loans to CUA Directors are at lending terms and conditions applicable to members. The KMP may receive concessional rates of interest on their loans and facilities that are available to all CUA employees.

No amounts have been written down or recorded as impaired during the year (2014: nil).

There are no benefits or concessional terms and conditions applicable to the family members of CUA Directors and KMP (2014: nil). No loan balances with family or relatives of CUA Directors and KMP have been written down or recorded as impaired during the year (2014: nil).

7.8 Related parties (continued)

(a) Key management personnel (continued)

Other transactions with CUA Directors and KMP

Other transactions with CUA Directors and KMP and their related parties generally relate to deposits and private health insurance.

CUA's policy for receiving deposits from other related parties and in respect of other related party transactions is that all transactions are approved and deposits accepted on the same terms and conditions that apply to members for each type of deposit. Interest has been paid on terms and conditions no more favorable than those available on similar transactions to members of CUA.

KMP may receive discounts on premiums for private health insurance that are available to all CUA employees.

(b) Controlled entities

Particulars in relation to controlled entities

The consolidated financial statements include the financial statements of the ultimate parent Credit Union Australia Ltd and the subsidiaries listed in the following table:

Investments in controlled entities

	Equity interest %		Investment $'000	
Name of entity	**2015**	2014	**2015**	2014
CUA Health Ltd	**100%**	100%		
Credicorp Finance Pty Ltd	**100%**	100%	**800**	800
Credicorp Insurance Pty Ltd	**100%**	100%		
CUA Financial Planning Pty Ltd	**100%**	100%		
			800	800

Investments in controlled entities are carried at cost and eliminated on consolidation.

All entities are incorporated in Australia.

The following securitisation trusts are controlled by CUA:

- Series 2006-1 Harvey Trust
- Series 2007-1 Harvey Trust
- Series 2009-1 Harvey Trust
- Series 2010-1 Harvey Trust
- Series 2012-1R Harvey Trust
- Series 2013-1 Harvey Trust
- Series 2015-1 Harvey Trust (established on 25 February 2015)
- Harvey Warehouse Trust No. 1
- Harvey Warehouse Trust No. 3

7.8 Related parties (continued)

(b) Controlled entities (continued)

Securitisation

As part of its operational activities, the Company securitises loan assets, generally through the sale of these assets to Special Purpose Entities (SPEs) which issue securities to investors and borrow from lenders (for Warehouses). As the Company remains exposed to the residual risk of the SPEs, the SPEs underlying loans, swaps, revenues and expenses have not been derecognised and are reported in the Credit Union's income statement and balance sheet.

Transfer of financial assets

The following table sets out the financial assets transferred to the Harvey Trusts and Harvey Warehouse Trusts that did not qualify for derecognition and associated liabilities from conducting the securitisation program.

	Consolidated		Parent	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Transferred financial assets				
Loans and advances at amortised cost	**2,482,182**	2,138,489	**2,482,182**	2,138,489
	2,482,182	2,138,489	**2,482,182**	2,138,489
Associated financial liabilities				
Securitisation liabilities - external investors	**1,873,966**	1,688,427	**1,873,966**	1,688,427
Amounts due to parent	**-**	-	**676,264**	507,520
	1,873,966	1,688,427	**2,550,230**	2,195,947
For those liabilities that have recourse only to transferred assets:				
Fair value of transferred assets	**2,449,777**	2,102,127	**2,449,777**	2,102,127
Fair value of associated liabilities	**1,873,966**	1,688,427	**2,550,229**	2,195,947
Net position	**575,811**	413,700	**(100,452)**	(93,820)

Collateral

The Parent has advanced $11.5 million (2014: $11.5 million) as cash collateral in relation to interest rate swaps for securitisation trusts under the usual terms and conditions applying to such agreements. The funds are held in restricted interest earning accounts and will be returned at maturity of the interest rate swap contracts.

Significant restrictions

The regulatory frameworks within which the health and general insurance subsidiaries operate, require these subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with various ratio requirements. The significant restrictions imposed by the regulatory frameworks are the only restrictions on CUA transferring the cash or other assets of the subsidiaries. The carrying amount of these subsidiaries' assets and liabilities are $96.1 million and $26.0 million respectively (2014: $91.4 million and $23.6 million respectively).

7.8 Related parties (continued)

(b) Controlled entities (continued)

Transactions with controlled entities

The following table provides the total amount of transactions that were entered into by the Parent with controlled entities for the relevant financial year. These transactions were all carried out under normal commercial terms and where possible are benchmarked against industry averages.

Transactions with controlled entities for the last two years to 30 June included:

	Parent	
	2015	2014
	$	$
Dividend revenue	**4,300,000**	1,650,000
Commission revenue	**3,015,628**	3,881,284
Net management fees	**3,124,175**	2,465,543
Net interest income/(expense)	**(509,455)**	(753,180)
Operating lease revenue	**256,217**	419,382

The net amounts receivable from / (payable to) controlled entities as at 30 June were:

	Parent	
	2015	2014
	$	$
CUA Health Ltd	**(10,290,297)**	(10,648,311)
Credicorp Finance Pty Ltd	**(103,660)**	(103,952)
Credicorp Insurance Pty Ltd	**(1,509,476)**	(1,590,537)
CUA Financial Planning Pty Ltd	**(2,019,057)**	(6,761,708)

7.9 Maturity analysis of assets and liabilities

Consolidated - 2015	Less than 12 months $'000	Over 12 months $'000	Total $'000
Assets			
Cash and cash equivalents	**144,781**	**-**	**144,781**
Financial assets - fair value through profit or loss	**29,441**	**38,205**	**67,646**
Financial assets - held to maturity	**848,908**	**405,491**	**1,254,399**
Derivative financial instruments	**-**	**105**	**105**
Loans and advances	**162,766**	**10,227,865**	**10,390,631**
Financial assets - available for sale	**-**	**37,030**	**37,030**
Property, plant and equipment	**-**	**27,372**	**27,372**
Intangible assets	**-**	**48,435**	**48,435**
Deferred tax assets	**-**	**5,764**	**5,764**
Other assets	**11,596**	**-**	**11,596**
Assets classified as held for sale	**-**	**-**	**-**
Total assets	**1,197,492**	**10,790,267**	**11,987,759**
Liabilities			
Derivative financial instruments	**2,938**	**27,666**	**30,604**
Deposits	**7,551,162**	**226,371**	**7,777,533**
Borrowings	**1,801,906**	**1,440,086**	**3,241,992**
Other liabilities	**63,259**	**-**	**63,259**
Provisions	**13,576**	**4,922**	**18,498**
Liabilities classified as held for sale	**-**	**-**	**-**
Total liabilities	**9,432,841**	**1,699,045**	**11,131,886**

Consolidated - 2014	Less than 12 months $'000	Over 12 months $'000	Total $'000
Assets			
Cash and cash equivalents	97,069	-	97,069
Financial assets - fair value through profit or loss	57,036	-	57,036
Financial assets - held to maturity	812,667	225,173	1,037,840
Derivative financial instruments	-	-	-
Loans and advances	53,006	8,939,618	8,992,625
Financial assets - available for sale	-	13,984	13,984
Property, plant and equipment	-	35,289	35,289
Intangible assets	-	53,331	53,331
Deferred tax assets	-	8,718	8,718
Other assets	12,035	-	12,035
Assets classified as held for sale	872	-	872
Total assets	1,032,685	9,276,113	10,308,799
Liabilities			
Derivative financial instruments	2,228	8,092	10,320
Deposits	6,562,581	220,523	6,783,104
Borrowings	1,581,093	1,052,813	2,633,906
Other liabilities	52,179	3,712	55,891
Provisions	13,298	4,727	18,025
Liabilities classified as held for sale	485	-	485
Total liabilities	8,211,864	1,289,867	9,501,731

7.9 Maturity analysis of assets and liabilities (continued)

Parent - 2015	Less than 12 months $'000	Over 12 months $'000	Total $'000
Assets			
Cash and cash equivalents	**136,465**	**-**	**136,465**
Financial assets - held to maturity	**1,506,961**	**405,491**	**1,912,452**
Derivative financial instruments	**-**	**105**	**105**
Loans and advances	**162,766**	**10,227,865**	**10,390,631**
Financial assets - available for sale	**-**	**37,030**	**37,030**
Investments in controlled entities	**-**	**800**	**800**
Property, plant and equipment	**27,365**	**-**	**27,365**
Intangible assets	**-**	**48,430**	**48,430**
Deferred tax assets	**-**	**5,198**	**5,198**
Other assets	**-**	**3,777**	**3,777**
Total assets	**1,833,557**	**10,728,696**	**12,562,253**
Liabilities			
Derivative financial instruments	**2,938**	**27,666**	**30,604**
Deposits	**7,551,381**	**226,371**	**7,777,752**
Borrowings	**1,962,029**	**1,950,546**	**3,912,575**
Other liabilities	**35,186**	**-**	**35,186**
Provisions	**13,576**	**4,922**	**18,498**
Total liabilities	**9,565,110**	**2,209,505**	**11,774,615**

Parent - 2014	Less than 12 months $'000	Over 12 months $'000	Total $'000
Assets			
Cash and cash equivalents	86,469	-	86,469
Financial assets - held to maturity	812,667	725,962	1,538,629
Derivative financial instruments	-	-	-
Loans and advances	53,006	8,939,618	8,992,625
Financial assets - available for sale	-	13,984	13,984
Investments in controlled entities	-	800	800
Property, plant and equipment	-	35,229	35,229
Intangible assets	-	53,328	53,328
Deferred tax assets	-	7,768	7,768
Other assets	2,553	-	2,553
Total assets	954,695	9,776,689	10,731,385
Liabilities			
Derivative financial instruments	2,228	8,092	10,320
Deposits	6,576,669	220,523	6,797,192
Borrowings	1,687,749	1,449,927	3,137,676
Other liabilities	29,315	-	29,315
Provisions	13,298	4,727	18,025
Total liabilities	8,309,259	1,683,269	9,992,528

7.10 Commitments

(a) Operating lease commitments

CUA has entered into operating leases on office and branch properties, with lease terms predominantly between three and ten years. CUA has the option, under some of its leases, to lease the properties for additional terms of three to five years. In addition, CUA has entered into three year operating leases for its motor vehicle fleet.

Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

	Consolidated		Parent	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Within one year	**14,845**	15,097	**14,845**	15,097
After one but not more than five years	**41,822**	43,182	**41,822**	43,182
More than five years	**17,459**	21,356	**17,459**	21,356
	74,126	79,635	**74,126**	79,635

(b) Outstanding loan commitments not provided for

Loan and credit facilities approved but not advanced or drawn at the end of the financial year are as follows:

	Consolidated		Parent	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Loans approved not advanced	**328,836**	316,678	**328,836**	316,678
Undrawn overdrafts and credit facilities at call	**229,830**	201,126	**229,830**	201,126
	558,666	517,804	**558,666**	517,804

(c) Capital commitments

At 30 June 2015, the Group had a commitment of $0.8 million (2014: $1.2 million) predominantly relating to IT related projects.

(d) Superannuation commitments

CUA contributes to a number of defined contribution superannuation funds, which provide benefits for employees on retirement, death or disability. Employees may contribute additional amounts of their gross income to their respective superannuation fund. CUA has no financial interest in any of the funds and is not liable for their performance or their obligations.

7.11 Remuneration of auditors

The auditor of CUA Ltd is KPMG (2014: Ernst & Young).

	Consolidated		Parent	
	2015	2014	**2015**	2014
	$	**$**	**$**	**$**
Amounts received or due and receivable by KPMG (2015) and Ernst & Young (2014) for:				
Audit services				
Audit of financial statements	**361,000**	367,222	**318,000**	317,516
Other regulatory and audit services	**118,000**	114,883	**35,000**	31,753
Total audit services	**479,000**	482,105	**353,000**	349,269
Audit related services	**252,500**	143,139	**237,500**	143,139
Non-audit services (2015: pre-appointment of KPMG as auditor)				
Tax compliance services	**10,000**	40,716	**10,000**	29,496
Actuarial services	**120,314**	-	**30,892**	-
Other services	**33,319**	151,751	**33,319**	151,751
Total non-audit services	**163,633**	192,467	**74,211**	181,247
Total auditor's remuneration	**895,133**	817,711	**664,711**	673,655

7.12 Events subsequent to balance date

On 5 July 2015, CUA withdrew from the Credit Union Financial Support System (CUFSS). Refer to Note 7.13 for details of CUA's obligations to the scheme that existed at balance date.

On 13 July 2015, all outstanding mortgage loans and receivables in the Series 2009-1 Harvey Trust ($125.3 million) and in the Series 2010-1 Harvey Trust ($202.9 million) were transferred to the Harvey Warehouse Trust No. 3. All securitisation borrowings in these two securitisation trusts were repaid to investors by Harvey Warehouse Trust No. 3, drawing against its Westpac borrowing facility.

No other matters or circumstances have arisen since the end of the financial year which have significantly affected the operations of the Group, the results of those operations, or the state of affairs of the Group.

7.13 Contingent assets and liabilities

Up until its withdrawal on 5 July 2015, CUA was a participant in the CUFSS. The purpose of the scheme is to protect the interests of credit union members, increase stability in the industry and to provide emergency liquidity support. As a participant in the CUFSS, CUA:

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

There has been no claim on CUA under this scheme subsequent to balance date.

There were no contingent assets during the financial year.

7.14 Economic dependency

CUA has significant service contracts with Cuscal Limited. This entity provides CUA with rights to the VISA card system in Australia and provides settlement services with other financial institutions for ATM, VISA card transactions, BPay, cheque processing and direct entry transactions.

CUA has an agreement with Tata Consulting Services Limited for the perpetual licence, maintenance and support of CUA's core banking platform TCS BaNCS.

7.15 Changes to comparatives

Certain amounts reported as comparative information have been reclassified to conform with current period financial statement presentations.

The following reclassifications have been made:

<u>Income statements</u>

The presentation of the income statements has been updated to better reflect the nature of our business. Certain line items have been reclassified and we have revised comparatives for 2014 in order to ensure consistency. These changes have had no impact on the reported profit for the year. The key changes include:

Other operating income
Fee commission revenue and related expenses have been presented in the "Other operating income" category.

Insurance business
Income and expenses related to insurance business have been grouped into "Net insurance income".

7.15 Changes to comparatives (continued)

The reclassifications in the income statements for the year ended 30 June 2014 are summarised in the tables below:

	Consolidated				
		Reclassification			
	Previously reported 2014 $'000	Other operating income $'000	Net insurance income $'000	Other $'000	**Currently reported 2014 $'000**
Net interest income					
Interest income	508,592	-	(2,112)	-	**506,480**
Interest expense	(300,576)	-	-	-	**(300,576)**
	208,016	-	(2,112)	-	**205,904**
Other operating income	-	19,050	-	(686)	**18,364**
Net insurance income	-	-	18,183	-	**18,183**
Other revenue					
Fee and commission revenue	30,993	(30,993)	-	-	**-**
Contribution income - CHL	101,274	-	(101,274)	-	**-**
General insurance income - CCI	3,474	-	(3,474)	-	**-**
	135,741	(30,993)	(104,748)	-	**-**
Other income					
Net gain on derivatives	210	(210)	-	-	**-**
Other	5,213	(5,213)	-	-	**-**
	5,423	(5,423)	-	-	**-**
Total net operating income	349,180	(17,366)	(88,677)	(686)	**242,451**
Expenses					
Impairment of loans and advances	(5,753)	-	-	686	**(5,067)**
Personnel	(91,733)	-	-	-	**(91,733)**
Occupancy	(19,133)	-	-	-	**(19,133)**
Depreciation of property, plant and equipment	(9,130)	-	-	-	**(9,130)**
Amortisation of intangible assets	(6,254)	-	-	-	**(6,254)**
Benefits paid - CHL	(88,227)	-	88,227	-	**-**
Claims paid - CCI	(450)	-	450	-	**-**
Information technology	(9,923)	-	-	-	**(9,923)**
General administrative expense	-	-	-	(20,602)	**(20,602)**
Other expenses	(52,251)	17,366	-	20,602	**(14,283)**
Total operating expenses	(282,854)	17,366	88,677	686	**(176,125)**
Profit before income tax expense	66,326	-	-	-	**66,326**
Income tax expense	(17,068)	-	-	-	**(17,068)**
Profit from continuing operations	49,258	-	-	-	**49,258**
After tax profit from discontinued operation	393	-	-	-	**393**
Profit for the year	49,651	-	-	-	**49,651**

7.15 Changes to comparatives (continued)

	Parent			
	Previously reported 2014	Reclassification: Other operating income	Reclassification: Other	**Currently reported 2014**
	$'000	$'000	$'000	**$'000**
Net interest income				
Interest income	506,480	-	-	**506,480**
Interest expense	(301,329)	-	-	**(301,329)**
	205,151	-	-	**205,151**
Other operating income	-	28,156	(686)	**27,470**
Other revenue				
Fee and commission revenue	34,719	(34,719)	-	**-**
Other income				
Net gain on derivatives	210	(210)	-	**-**
Other	10,299	(10,299)	-	**-**
	10,509	(10,509)	-	**-**
Total net operating income	250,379	(17,072)	(686)	**232,621**
Expenses				
Impairment of loans and advances	(5,753)	-	686	**(5,067)**
Personnel	(89,509)	-	-	**(89,509)**
Occupancy	(19,133)	-	-	**(19,133)**
Depreciation of property, plant and equipment	(9,091)	-	-	**(9,091)**
Amortisation of intangible assets	(6,224)	-	-	**(6,224)**
Information technology	(9,923)	-	-	**(9,923)**
General administrative expense	-	-	(19,207)	**(19,207)**
Other expenses	(50,134)	17,072	19,207	**(13,855)**
Total operating expenses	(189,767)	17,072	686	**(172,009)**
Profit before income tax expense	60,612	-	-	**60,612**
Income tax expense	(16,548)	-	-	**(16,548)**
Profit from continuing operations	44,064	-	-	**44,064**

Notes to the financial statements
For the year ended 30 June 2015

7.15 Changes to comparatives (continued)

Cash flow statements

The presentation of the cash flow statements has been updated to better reflect the nature of our business. Certain cash flows have been reclassified between operating activities, investing activities and financing activities, and we have revised comparatives for 2014 in order to ensure consistency. These changes have had no impact on the reported net increase/(decrease) in cash and cash equivalents.

The reclassifications in the cash flow statements for the year ended 30 June 2014 are as follows:

Dividends received (Consolidated: $2.6 million, Parent: $4.2 million) have been reclassified from 'Cash flows from investing activities' to 'Cash flows from operating activities'.

Net cash flows from placements and withdrawals from other financial institutions (Consolidated: $104.2 million, Parent: $136.8 million) which was previously classified as 'Sales/(purchases) of investments' in 'Cash flows from investing activities', have been reclassified to 'Cash flows from operating activities'.

Net cash flows from members' deposits (Consolidated: $229.9 million, Parent: $214.9 million) have been reclassified from 'Cash flows from financing activities' to 'Cash flows from operating activities'.

8. Accounting policies and new accounting standards

8.1 Accounting policies

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of Credit Union Australia Ltd and all of its controlled entities (the Group). Controlled entities are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Controlled entities are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group conducts an asset securitisation program through which it packages and sell asset-backed securities to investors and borrows from lenders (for Warehouses) through SPEs. The Group is entitled to any residual income of the SPE after all payments to investors and lenders and costs of the programs have been met. SPEs are consolidated by the Group where the Group has the power to govern directly or indirectly decision making in relation to financial and operating policies and receives the majority of the residual income or is exposed to the majority of the residual risk associated with the SPEs.

All inter-company balances and transactions between entities in the Group, including any unrealised profit or losses, have been eliminated on consolidation. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The financial statements of controlled entities are prepared for the same accounting period as the parent company.

Where controlled entities have entered or left the Group during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(c) Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

(d) Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses over the period of the lease on a straight-line basis unless another systematic basis is more representative of the time pattern of the benefits.

The accounting for an arrangement in the legal form of a lease must reflect the substance of the arrangement. All aspects and implications of the arrangement must be evaluated to determine its substance, with weight given to those aspects and implications that have an economic effect. All aspects of an arrangement that does not, in substance, involve a lease under AASB 117 *Leases* must be considered in determining the appropriate disclosures that are necessary to understand the arrangement and the accounting treatment adopted.

8.1 Accounting policies (continued)

(d) Leases (continued)

All lease incentives for the agreement of a new or renewed operating lease shall be recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the incentive's nature or form or the timing of payments. The lessee shall recognise the aggregate benefit of incentives as a reduction of rental expense over the lease term, on a straight-line basis unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

(e) Disposal groups held for sale and discontinued operations

Disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the disposal group is recognised at the date of de-recognition.

The assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Note: Certain accounting policies have been incorporated into relevant notes under the "Recognition and measurement" sections of those notes for ease of reference and to promote the usefulness of those disclosures.

8.2 New accounting standards

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2014:

- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*
- AASB 2013-3 *Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets*
- AASB 2013-4 *Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Parts A to C)*
- Annual improvement 2010 – 2012 cycle
- Annual improvement 2011 – 2013 cycle
- AASB 1031, AASB 2013-9 (Part B) *Australian Conceptual Framework amendments and Materiality*
- Interpretation 21 *Levies*

The application of these standards and amendments do not materially impact the annual consolidated financial statements.

Australian Accounting Standards and Interpretations that have recently been issued or amended, but are not yet effective and have not been early adopted by the Group for the annual reporting period ended 30 June 2015 are outlined in the table below. Based on preliminary assessments, management does not expect significant impacts to arise from these standards and interpretations subject to the Group's further detailed analysis and assessment process.

8.2 New accounting standards (continued)

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application date of standard *	Application date for Group *
AASB 2014-4	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)	AASB 116 and AASB 138 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not an appropriate basis for measuring the consumption of the economic benefits embodied in an asset. This presumption, however, can be rebutted in certain limited circumstances.	The clarification is not expected to impact the Group as it does not use revenue based methods to calculate depreciation and amortisation.	1 January 2016	1 July 2016
AASB 9	Financial Instruments	AASB 9 (December 2014) replaces AASB 139 and supersedes AASB 9 versions previously issued in December 2009 and December 2010. The new standard includes a model for classification and measurement, a single forward-looking 'expected loss' impairment model and a reformed approach to hedge accounting.	The Group has carried out a preliminary impact assessment of the new standard. Please refer to the details of the impact assessment below.	1 January 2018	1 July 2018
AASB 2010-7, AASB 2014-1 (Part E), AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	These relate to consequential amendments to other standards as a result of AASB 9	The amendments are not expected to have a material impact on the Group.	1 January 2018	1 July 2018
AASB 15	Revenue from contracts with customers	The IASB has issued a new standard for the recognition of revenue. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards. This standard replaces AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations.	The Group is in the process of assessing the impact of the new standard but does not expect a significant impact as most of its revenues arise from the provision of financial, health insurance and general insurance services which are governed by AASB 9 *Financial Instruments* and AASB 4 *Insurance Contracts.*	1 January 2017	1 July 2017
AASB 2014-5	Amendments to Australian Accounting Standards arising from AASB 15	AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15	The amendments are not expected to have a material impact on the Group.	1 January 2017	1 July 2017

8.2 New accounting standards (continued)

Reference	Title	Nature of change to accounting policy	Impact to the Group	Application date of standard *	Application date for Group *
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	Amendments made to AASB 5 relating to methods of disposals, AASB 7 disclosures, AASB 119 clarification on use of corporate bonds for estimating discount rates, AASB 134 disclosures.	The amendments are not expected to have a material impact on the Group.	1 January 2016	1 July 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101	The Standard makes amendments to AASB 101 *Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.	The amendments clarify existing requirements of AASB 101 that do not direct the Group's accounting policies or estimates and are therefore not expected to have a material impact on the Group.	1 January 2016	1 July 2016

* Designates the beginning of the applicable annual reporting period unless the Group opt for early adoption where permitted by the standard.

AASB 9 impact assessment

The Group has carried out a high level impact assessment of AASB 9 (December 2014) on the key areas and requirements of the standard as follows:

Classification and measurement

(i) Financial assets

The classification and measurement of financial assets is determined on the basis of the contractual cash flow characteristics and the objective of the business model associated with holding the asset.

Key changes include the removal of the AASB 139 Held to Maturity (HTM) and Available for Sale (AFS) asset categories. A new asset category measured at Fair Value through Other Comprehensive Income (FVOCI) is introduced. This applies to financial asset debt instruments with contractual cash flow characteristics that are solely payments of principle and interest and held in a model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

Classification and measurement of financial assets will remain largely unchanged for CUA with the HTM investments reclassified as the amortised cost category and the AFS investment reclassified as FVOCI.

8.2 New accounting standards (continued)

(ii) Financial liabilities

AASB 9 retains almost all of the existing requirements in AASB 139 on subsequent measurement of financial liabilities with the exception of the treatment of own credit risk relating to financial liabilities designated at fair value through profit or loss (FVTPL) which is generally presented in other comprehensive income (OCI).

Classification and measurement of financial liabilities will remain largely unchanged for CUA as the majority of its financial liabilities are initially recognised at fair value and subsequently measured at amortised cost.

Hedging

The requirements for general hedge accounting have been simplified for hedge effectiveness testing and may result in more designations of groups of items as the hedged items based on closer alignment with risk management activities.

The new hedging requirements are not expect to impact materially on CUA based on its existing interest rate swap contracts.

Impairment

The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

The impact of the new impairment requirement is summarised below.

Preliminary assessment of impact on transition

Based on the impact assessment carried out on AASB 9, the most significant impact will likely arise from impairment requirements of the standard. The overall impact of applying AASB 9 on the group financial statements will be a decrease in net assets ranging from $0.6 million to $4.1 million depending on key risk parameters and assumptions applied in judgmental areas. The impact can be analysed as follows:

- an increase in collective provision by $0.8 million to $5.9 million
- an increase in deferred tax assets by $0.2 million to $1.8 million

Adjustments during the transition process will be recognised either in opening retained earnings or the general reserve for credit losses.

It should be noted that the range of potential outcomes illustrated above are high level best estimates focused on material items at the time of calculation. Actual outcomes based on the size and credit characteristics of the portfolio prevailing on adoption of the standard may be higher or lower than these estimates.

Directors' declaration

In accordance with a resolution of the Directors of the Credit Union Australia Ltd, we declare that:

In the opinion of the Directors:

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

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

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

(iii) the financial statements and notes to the financial statements are prepared in compliance with international financial reporting standards as made by the International Accounting Standards Board.

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

Signed in accordance with a resolution of the Directors.

Alan Beanland
Chairman

Nigel Ampherlaw
Director

Brisbane
26 August 2015

Independent auditor's report

KPMG

Independent auditor's report to the members of Credit Union Australia Ltd
Report on the financial report

We have audited the accompanying financial report of Credit Union Australia Ltd (the Company), which comprises the statements of financial position as at 30 June 2015, the statements of financial performance, statements of comprehensive income, statements of changes in members funds and the statements of cash flows for the year ended on that date, notes 1 to 8 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal 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 1.2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.*Auditor's responsibility*

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

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

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

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

Independence

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

Independent auditor's report

Auditor's opinion

In our opinion:

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

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

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

(b) the financial report Credit Union Australia Ltd also complies with International Financial Reporting Standards as disclosed in Note 1.2.

KPMG

KPMG

John Teer
Partner

Brisbane

26 August 2015

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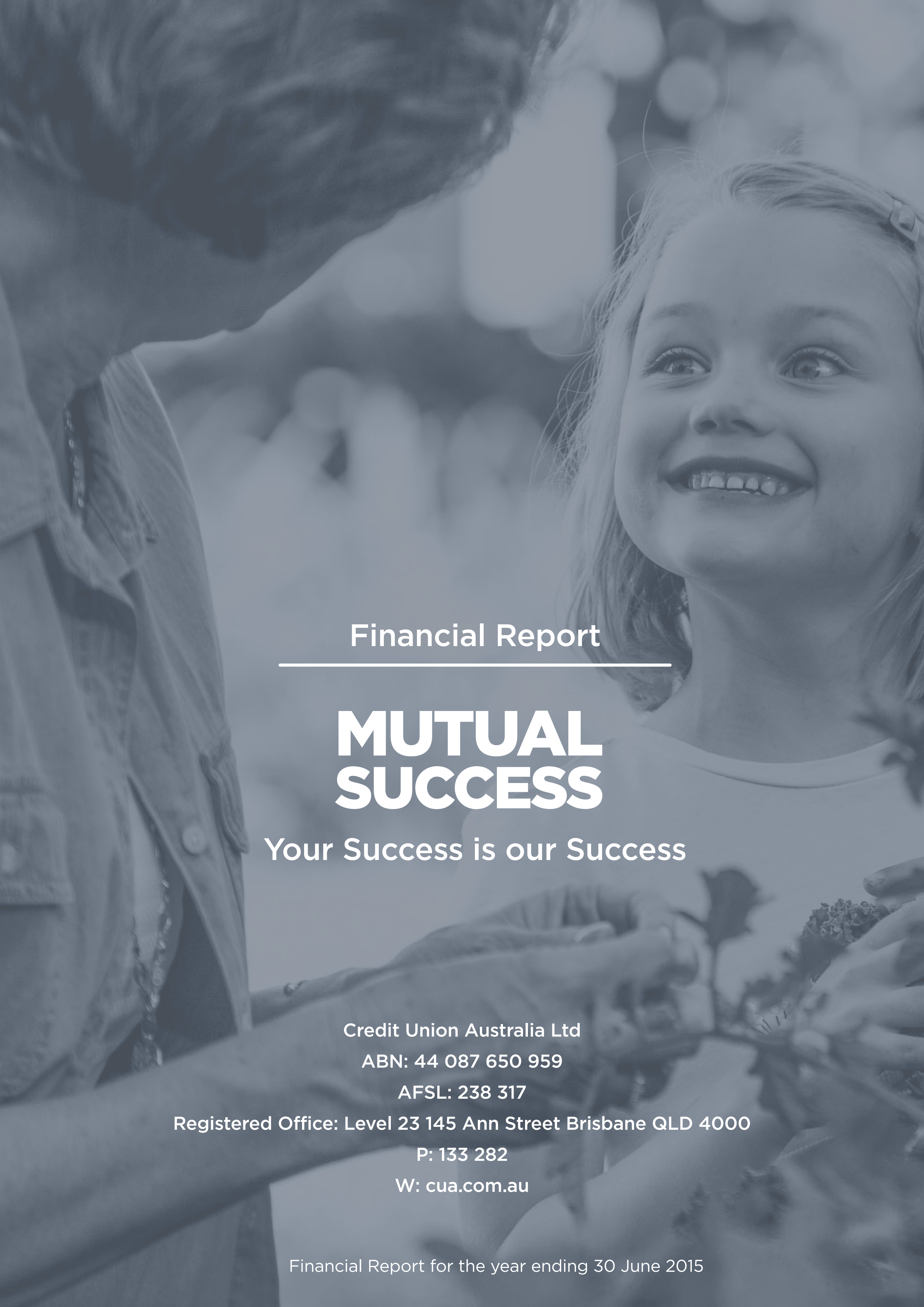

Financial Report

MUTUAL SUCCESS

Your Success is our Success

Credit Union Australia Ltd

ABN: 44 087 650 959

AFSL: 238 317

Registered Office: Level 23 145 Ann Street Brisbane QLD 4000

P: 133 282

W: cua.com.au

Financial Report for the year ending 30 June 2015