



Annual Report

for the year ended 30 June 2015



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CORPORATE INFORMATION

Ford Co-operative Credit Society Limited (the Society) was established in September 1974 by a small, dedicated group of employees of the Ford Motor Company in Geelong, to provide banking services to Geelong Ford employees and their families, and has continued to grow and prosper with many of our members spread all over Australia. In fact 90% of our members and our total deposit funds are held by members from the local and wider community.

The Society is mutually owned by its member customers, as such profits are returned to Members through our products and services and are not paid away to shareholders.

Ford Co-operative Credit Society Limited is prudentially regulated and approved as an Authorised Deposit-taking Institution (ADI).

All ADIs are equally subject to the depositor-protection provisions of the Banking Act 1959 and overseen by the Australian Prudential Regulatory Authority (APRA).

Ford Co-operative Credit Society Limited is a public company limited by shares, incorporated and domiciled in Australia and registered under the Corporations Act 2001.

CORPORATE DIRECTORY

Established:	The Society was incorporated in Victoria under the Co-operative Act on 12 th September 1974.
Registered Office:	Head Office: 107 Gheringhap Street, Geelong VIC 3220
External Auditors:	Crowe Horwath, 200 Malop Street, Geelong VIC 3220
Internal Auditors:	Aspire Management & Accounting Group Pty Ltd, 785 Pascoe Vale Road, Glenroy VIC 3046
Solicitors & Legal	
Corporate Advisors:	Daniels Bengtsson, Level 4, 171 Clarence St, Sydney NSW 2000,
Bankers:	Credit Union Services Corporation (Australia) Limited, 1 Margaret Street, Sydney NSW 2001
	National Australia Bank Limited, Malop Street, Geelong VIC 3220
Insurers:	Arranged through Adroit Insurance Group, 231 Moorabool Street, Geelong, Vic. 3220.

CHAIRMAN'S REPORT

Dear Fellow Members,

It is again with great pleasure that I present the Chairman's report. During the 2014/15 financial year we celebrated our 40th anniversary on the 12th September 2014. Congratulations to our members and the many stakeholders who have been with us on our journey including the former Directors, Management and Staff who have guided and led us through the formative years. Please take the opportunity to view the milestones and some of the people over the years that have helped deliver the business to its standing today. (<http://www.fccs.com.au/campaigns-2014-happy-40th-anniversary.html>)

Operating Environment

Business conditions have continued to be challenging, but congratulations to all the Directors, Management and Staff for producing this strong result detailed below.

- Operating profit before tax \$567,030 (\$551,556 2013/14)
- Total member deposits increased by \$10.447m (9.38%) over the year to \$121.802m
- Total loans to members increased by \$8.070m (10%) to \$88.737m
- Total assets increased to \$134.7m

Although we value the contribution made by all Managers and Staff, a special mention to the loans team to deliver the 10% growth in that portfolio which is extremely pleasing. It also shows how we have remained relevant and competitive to not only our current members but also to the new members we have enticed to FCCS especially through the growth areas of Ford Motor Company, the Product Engineering Departments Engineering sector.

We would also like to acknowledge the contribution made by some of our member service providers such as QBE Insurance and Bridges Financial services. Their support is very important in continuing to providing our members competitive products.

Regulatory

As your Board of Directors we are responsible for the corporate governance of the Society and as such we will ensure compliance with the prudential and solvency requirements of both APRA and ASIC.

In order to enhance this compliance the Board made further improvements to the Governance process by establishing a separate Board Risk Committee and Management Risk Committee which are responsible for implementing and monitoring the effective operation of the Risk Management Framework of the Credit Union and fostering a risk-awareness culture throughout the organisation.

Strategic Objectives & the Year Ahead

During our Planning Day we focused on improving and increasing member banking relationships and developed a marketing plan that amongst other initiatives will, with appropriate staff training in member sales, improve our product offerings to all members.

In the year ahead we will continue to focus on our traditional members, but also look to capitalise on the growth areas of our local community and the Ford Motor Company's expansion in the PD Engineering sector and Sales and Marketing Departments.

As part of our ongoing digital banking technology improvements new members can now join the Credit Union on-line - eliminating paperwork. On-line statements and on-line term deposits were also introduced during the year. Over the year ahead the banking software and lending systems will be upgraded to significantly improve processing and functional capabilities

Acknowledgments

Associate Directors Tim Boyd and Scott Randall were elected as Directors on to the Board after the resignation of long serving Directors, Noel Miller and Geoff Miles. We are pursuing to recruit another Associate Director to further enhance the skill base of your dedicated Board of Directors.

On behalf of our members and the Board I would again like to thank Management and Staff for their contribution to what has been a successful year.

Member support is our cornerstone and so integral to the continued success of FCCS. Let's take every opportunity to convey to the wider community the benefits of joining us. We look forward to your continued support as our unique organisation, continues to grow and prosper.



Dominic Raimondo
Chairman

DIRECTORS' REPORT

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

DIRECTORS

The names and details of the Directors of the Ford Co-operative Credit Society (the Society) in office at the date of this report are:

Names and qualifications

Dominic M Raimondo

Dip Eng

D.M. Raimondo is the current Chairman of the Board and Chairman of the Governance Committee. An alternate Director from 2002 to 2007. Director since 2007.

Chris G MacDonald

BCom

C.G. MacDonald is the current Vice-Chairman of the Board, Chairman of the Risk Committee and Vice-Chairman of the Governance Committee. Director since 1992.

David J S Burke

BEng

D.J.S. Burke is the Chairman of the Audit Committee and was Chairman of the Board from 1997 to 2014. Director since 1993.

Peter F Bone

P.F. Bone is the Vice-Chairman of the Risk Committee. Has extensive (27 years) experience in the finance industry. Alternate Director from 1993 to 1995. Director since 1995.

Tim J Boyd

T S Boyd was an Associate Director from August 2013 to October 2014 and has been a Director since October 2014. Member of the Governance and Risk Committees.

Terry A O'Brian

BEng, MBA

T.A. O'Brian is a member of the Audit Committee. Alternate Director from 2002 to 2008. Director since 2008.

Scott D Randall

S D Randall was an Associate Director from August 2013 to October 2014 and has been a Director since October 2014. Current Vice-Chairman of the Audit Committee.

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

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

COMPANY SECRETARY

Mr Peter Vecoli, General Manager of the Society, was appointed Company Secretary on 19 April 2012 and continues to act in this capacity post year end.

DIRECTORS' REPORT (cont...)

PRINCIPAL ACTIVITIES

The principal activities of the Society during the year were the provision of retail financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution.

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

DIRECTOR BENEFITS

No Director has received or become entitled to receive during, or since the financial year, a benefit because of a contract made by the Society, controlled by the Society, or a related body corporate with a Director, a firm of which is a member or Society in which a Director has a substantial financial interest, other than disclosed in Note 35 of the financial report.

OPERATING RESULTS

Profit after income tax for the financial year was \$399,848 (2014: \$392,264)

REVIEW OF OPERATIONS

The results of the Society's operations from its activities of providing financial services to its members did not change significantly from those of the previous year and a review of those operations are set out in the Chairman's Report.

DIVIDENDS

No dividends have been paid or declared since the end of the financial year and no dividends have been recommended or provided for by the Directors of the Society. Dividend payments were paid throughout the year in respect of the Preference Shares under the terms of the issue of these shares amounting to \$70,562 (2014 \$71,544) – refer to Note 37.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Society during the financial year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There has been no matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect:

1. The operations of the Society;
2. The results of those operations; or
3. The state of affairs of the Society;

in subsequent financial years, except for matters noted in the Chairman's Report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors do not foresee any likely developments in the operations of the Society that will affect the results of those operations in subsequent financial years.

INDEMNIFICATION AND INSURANCE

During the year, a premium was paid in respect of a contract insuring Directors and officers of the company against liability.

The officers of the company covered by the insurance contract include the Directors, executive officers, secretary and employees.

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

No insurance cover has been provided for the benefit of the auditors of the company.

CORPORATE GOVERNANCE

The Society is committed to achieving high standards of corporate governance. The Society is directed and controlled by its Board of Directors, and through systems of delegation and policies, so as to achieve its business objectives responsibly and in accordance with high standards of accountability and integrity.

The Society complies with the Australian Prudential Regulation Authority Standard CPS 510 *Governance*, CPS 520 *Fit & Proper* and the Prudential Practice Guide PPG 511 *Remuneration*.

DIRECTORS' REPORT (cont...)

DIRECTORS' MEETINGS

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

	Board Meetings	Governance Meetings	Combined Audit & Risk Meetings	Audit Committee Meetings	Risk Committee Meetings
Number of meetings held:	12	10	2	2	4
Number of meetings attended:					
D.M. Raimondo	11	10	1	-	-
C.G. MacDonald	12	9	2	-	4
P.F. Bone	11	-	2	-	4
T J Boyd	11	8	0	-	4
D.J.S. Burke	10	-	1	2	-
T.A. O'Brian	11	-	1	2	-
S D Randall	10	-	2	2	-

From January 2015 the Audit and Risk Committees were no longer combined and Governance processes changed, restricting attendance to Committee members unless otherwise invited to attend by the Chairman of the Committee.

In addition to the above meetings, as part of continuing professional development Directors also attend various Industry and Regulatory meetings and seminars.

ROUNDING

The amounts contained in this report and in the financial statements have been rounded off under the option available to the Society under ASIC Class Order 98/100 as amended by 06/51. The Society is an entity to which the Class Order applies.

AUDITOR'S INDEPENDENCE DECLARATION

The Directors have received the following declaration from the Society's auditor which can be found on page 6. Signed in accordance with a resolution of the Directors.



T J Boyd
Director



S D Randall
Director

Geelong, 24 September 2015

AUDITOR INDEPENDENCE DECLARATION



Auditor Independence Declaration Under S307C of the *Corporations Act 2001* to the Directors of Ford Co-Operative Credit Society Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2015 there have been no contraventions of:

- I. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- II. any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads "Crowe Horwath Melbourne".

CROWE HORWATH MELBOURNE

A handwritten signature in blue ink that reads "David Munday".

David Munday
Partner

Melbourne
24 September 2015

Crowe Horwath Melbourne is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omission of financial services licensees.

CORPORATE GOVERNANCE STATEMENT

Board of Directors

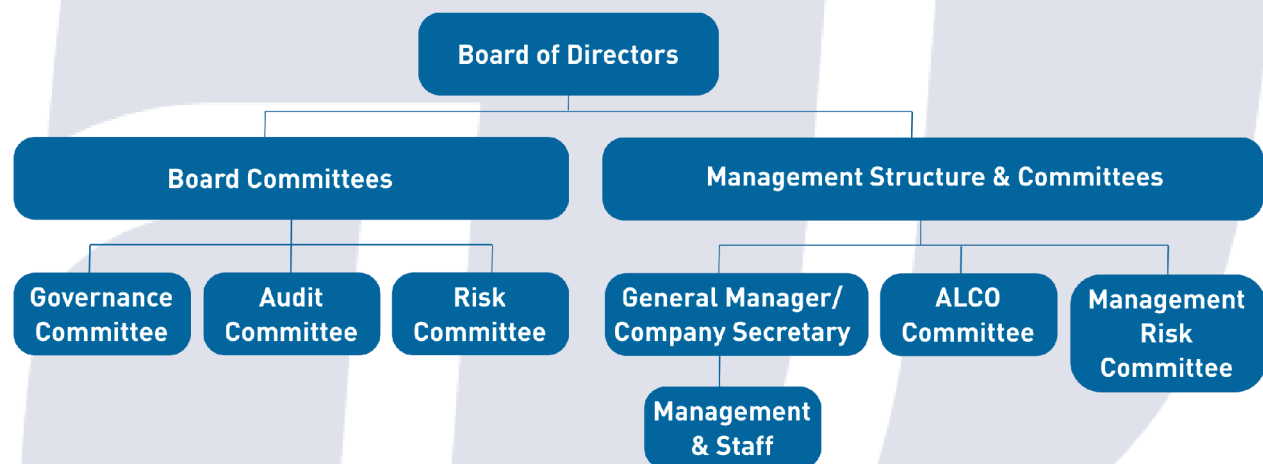
The Board of Directors is responsible for the corporate governance of the Society. The Board guides and monitors the business and affairs of the Society on behalf of the members by whom they are elected and to whom they are accountable. An important feature of the Board is to ensure compliance with the prudential and solvency requirements of the Australian Prudential Regulatory Authority (APRA) and the Australian Securities & Investments Commission (ASIC).

The key responsibilities of the Board include:

- Approving the strategic direction and related objectives and monitoring management performance in the achievement of these objectives;
- Adopting an annual budget and business plan and monitoring the financial performance of the Society;
- Overseeing the establishment and maintenance of internal controls and effective monitoring systems;
- Ensuring all major business risks are identified and effectively managed;
- Ensuring the Society meets its legal and statutory obligations.

Structure of the Board

Directors of the Society are considered to be independent and free from any business or other relationship that could interfere with, or could be perceived to materially interfere with the exercise of their unfettered and independent judgement.



CORPORATE GOVERNANCE STATEMENT (cont...)

The Board has established the following committees which operate under a charter approved by the Board.

Board Committees

Governance Committee

The purpose of the Governance Committee is to assist the board in the exercise of effective corporate governance, including oversight of the Society's Governance and Fit & Proper Policies.

The purpose of the Governance Policy is to ensure strong Corporate Governance in the prudent management and financial soundness of the Society and in maintaining public confidence in the financial system.

The purpose of the Fit & Proper – Responsible Person Policy is to manage the risk to its business or financial standing that persons acting in Responsible Person positions are fit and proper.

The committee has also been appointed by the board to fulfil the role of the Nominations and Remuneration Committees incorporating board renewal, remuneration and nominations.

Audit Committee

The Audit Committee will assist the Board in fulfilling its oversight responsibilities and act as an interface between the board and the internal and external auditors. The Audit Committee will review:

The system of internal control;

The financial and regulatory/compliance reporting process; and

The audit process.

Risk Committee

The Committee will assist the board in fulfilling its oversight responsibilities and will be responsible for:

- oversight of the risk profile and risk management of the Credit Union within the context of the Board determined risk appetite (although ultimate responsibility for risk oversight and risk management rests with the Board, and the Committee will refer all matters of significant importance to the Board);
- making recommendations to the Board concerning the risk appetite and particular risks or risk management practices;
- reviewing management's plans for mitigation of the material risks faced by the Credit Union;
- oversight of the implementation and review of risk management and internal compliance and control systems;
- promotion of awareness of a risk based culture and the achievement of a balance between risk and reward for risks accepted.

CORPORATE GOVERNANCE STATEMENT (cont...)

Management Committees

Assets & Liabilities Committee (ALCO)

The ALCO is a committee responsible for managing the financial assets and liabilities of the Society. The committee recommends policy, sets strategy and monitors risks related to the management of the Society's assets and liabilities regarding:

- Pricing of the financial assets and liabilities including interest rates and fees;
- Interest margin;
- Interest rate risk;
- Funding and liquidity management;
- Investment management;
- Profitability and capital management.

Management Risk Committee

The Management Risk Committee is responsible for periodically reviewing the Society's risk profile, fostering a risk-aware culture and reporting to the Board Risk Committee on the effectiveness of the risk management framework and of the company's management of its material business risks.

The primary function of the Committee is:

- the implementation and review of risk management and internal compliance and control systems;
- reporting to the Board Risk Committee (BRC) on management's plans for mitigation of the material risks faced by the Credit Union;
- making recommendations to the BRC concerning the risk appetite and particular risks or risk management practices; and
- promotion of awareness of a risk based culture amongst staff and the achievement of a balance between risk and reward for risks accepted.

Risk Management Objectives and Policies

The Board of Directors has implemented a Risk Management Policy which establishes the overall Risk Management Framework for managing operational risk. Specifically, the Risk Management Policy aims to:

Contribute to profitable prudential performance by achieving an appropriate balance between realising opportunities while minimising losses.

Maintain a comprehensive and up-to-date Risk Appetite Statement that addresses all material risks and sets the risk limits acceptable to the Board.

Be concerned with risk as exposure to the consequences of uncertainty, or potential deviations from that which is planned or expected.

Address Capital Management – refer Note 28.

Facilitate regular reporting to Senior Management, the Board and relevant committees.

Risk Management Framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established separate Audit and Risk Committees which are responsible for developing and monitoring risk management processes. The committee reports regularly to the Board of Directors on its activities.

Risk management policies and procedures are established to identify and analyse the risks faced by the Society, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management processes and systems are reviewed regularly to reflect changes in market conditions and the Society's activities.

CORPORATE GOVERNANCE STATEMENT (cont...)

Risk Management Framework (cont...)

The Audit and Risk Committees oversee how management monitors compliance with the Society's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Society. The Audit and Risk Committees are assisted in its oversight role by Internal Audit. Internal Audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the Audit & Risk Committees.

The Society has undertaken the following strategies to minimise risks.

Market Risk

The Society is not exposed to currency risk, and does not trade in the financial instruments it holds on its books.

Credit Risk – Loans

The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The Board policy is to maintain at least 85% of loans in well secured residential mortgages which carry an 80% Loan to Valuation ratio or less. Note 10 (c) describes the nature of the security held against the loans as at the balance date.

The Society has a concentration in the retail lending for members who comprise employees and family in the Ford Motor Company. This concentration is considered acceptable on the basis that the Society was formed to service these members, and the employment concentration is not exclusive. Should members leave the industry the loans continue and other employment opportunities are available to the members to facilitate the repayment of the loans. The details of the geographical and industry concentrations are set out in Note 10(e).

Credit Risk – Liquid Investments

The risk of losses from the liquid investments undertaken is reduced by the nature and quality of the independent rating of the investee and the limits to concentration in one entity.

The Board policy is that investments shall be widespread to avoid any undue concentration of risk and all investments must be with financial institutions with a rating in excess of BBB- or higher.

Credit Risk – Equity Investments

All investments in equity instruments are solely for the benefit of service to the Society. The Society invests in entities set up for the provision of services such as IT solutions, treasury services etc where specialisation demands quality staff which is best secured by one entity. Further details of the investments are set out in Note 11.

Liquidity Risk

The Society has set out in Note 39 the maturity profile of the financial assets and financial liabilities, based on the contractual repayment terms.

The Society is required to maintain at least 9% of total adjusted liabilities as liquid assets capable of being converted to cash within 48 hours under the APRA Prudential standards. The Society policy is to apply 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level the management and the Board are to address the matter and ensure that the liquid funds are obtained from new deposits and borrowing facilities available.

Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Society's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Society's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Society's reputation with overall cost effectiveness.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 June 2015	Notes	2015 \$'000	2014 \$'000
INTEREST REVENUE	2	6,022	6,037
INTEREST EXPENSE	2	3,471	3,573
NET INTEREST REVENUE	2	2,551	2,464
OTHER REVENUE	3(a)	724	756
TOTAL OPERATING INCOME		3,275	3,220
EMPLOYEE BENEFITS EXPENSE	3(b)	1,143	1,188
LOAN IMPAIRMENT EXPENSE	10(g)	-	(70)
DEPRECIATION AND AMORTISATION	3(b)	210	202
OTHER EXPENSES	3(b)	1,355	1,349
PROFIT BEFORE INCOME TAX	4	567	551
INCOME TAX EXPENSE	5	(167)	(159)
PROFIT AFTER INCOME TAX ATTRIBUTABLE TO MEMBERS		400	392
OTHER COMPREHENSIVE INCOME			
Items that will be reclassified subsequently to profit or loss			
Asset revaluation reserve movement	24	-	66
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO MEMBERS		400	458

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2015	Notes	2015	2014
		\$'000	\$'000
ASSETS			
Cash and cash equivalents	6	7,705	11,116
Deposits with other financial institutions	7	20,050	17,000
Accrued receivables	8	226	214
Investment securities	9	14,755	12,008
Loans and advances	10	88,737	80,667
Other investments	11	264	264
Property, plant and equipment	12	2,297	2,360
Intangible assets	14	317	397
Other assets		80	85
Deferred tax assets	13	333	342
TOTAL ASSETS		134,764	124,453
LIABILITIES			
Deposits from members	15	121,802	111,355
Payables	16	546	1,011
Tax liabilities	17	50	45
Employee benefits	18	346	360
Deferred tax liabilities	19	193	193
Subordinated debt	20	1,682	1,674
TOTAL LIABILITIES		124,619	114,638
NET ASSETS		10,145	9,815
MEMBERS' EQUITY			
Permanent share capital	21	1,759	1,759
Capital reserve account	22	108	104
Reserves	23	3,102	3,102
Asset revaluation reserve	24	837	837
Retained profits	25	4,339	4,013
TOTAL MEMBERS' EQUITY		10,145	9,815

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN MEMBERS' EQUITY

YEAR ENDED 30 JUNE 2015	Notes	Capital \$'000	Retained Profits \$'000	Capital Reserve Account \$'000	Asset Revaluation Reserve	Reserves \$'000	Total \$'000
Total at 1 July 2013		1,759	3,697	100	771	3,102	9,429
Net Profit for the year		-	392	-	-	-	392
Less Dividends paid	37	-	(72)	-	-	-	(72)
Less redeemed preference shares	22	-	(4)	4	-	-	-
Revaluation increments/(decrements)	24	-	-	-	66	-	66
Total at 30 June 2014		1,759	4,013	104	837	3,102	9,815
Total at 1 July 2014		1,759	4,013	104	837	3,102	9,815
Net Profit for the year		-	400	-	-	-	400
Less Dividends paid	37	-	(70)	-	-	-	(70)
Less redeemed preference shares	22	-	(4)	4	-	-	-
Total at 30 June 2015		1,759	4,339	108	837	3,102	10,145

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2015	Notes	2015 \$'000	2014 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		6,044	6,138
Dividends received		42	54
Borrowing costs		(3,538)	(3,694)
Other non interest income received		649	740
Personnel and occupancy costs paid		(1,267)	(1,365)
General expenses paid		(1,306)	(1,249)
Income tax paid		(153)	(132)
Net movement in loans, advances and other receivables		(8,070)	(3,894)
Net movement in deposits and shares		10,447	5,276
NET CASH FLOWS USED IN OTHER OPERATING ACTIVITIES	31(a)	2,848	1,874
CASH FLOWS FROM OTHER INVESTING ACTIVITIES			
Net movement in investments		(5,797)	509
Acquisition of property, plant and equipment		(67)	(111)
Proceeds from sale of property, plant and equipment		-	10
NET CASH FLOWS USED IN INVESTING ACTIVITIES		(5,864)	408
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(70)	(72)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(70)	(72)
NET INCREASE/(DECREASE) IN CASH HELD		(3,086)	2,210
Add opening cash brought forward		10,743	8,533
CLOSING CASH CARRIED FORWARD	31(b)	7,657	10,743

The accompanying notes form part of these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

30 June 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. For the purpose of preparing the financial statements, and in accordance with AASB 1054, the Society is a for-profit entity.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ("AIFRS"). The financial statements of the Society comply with IFRSs and interpretations adopted by the International Accounting Standards Board, to the extent outlined below.

Basis of Preparation

The financial statements have been prepared on the basis of historical costs, unless stated otherwise.

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

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

The financial report was authorised for issue by the Directors on 24 September 2015.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Financial instruments

Recognition & initial measurement

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

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

De-recognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Classification & subsequent measurement

(i) *Financial assets at fair value through profit & loss*

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

(ii) *Held-to-maturity investments*

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

(iii) *Available-for-sale financial assets*

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

The equity investment in Cuscal Limited and TransAction Solutions Ltd are measured at cost less any impairment charges, as its fair value cannot currently be estimated reliably. Impairment charges are recognised in profit or loss. Gains and losses on these assets are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses, which are recognised in profit or loss.

(iv) *Financial liabilities*

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

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Fair value measurement hierarchy

The entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Impairment

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

Loans and advances

Basis of inclusion

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

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Society at balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where recovery of the debt is considered unlikely as determined by the Board of Directors.

The loan interest is calculated on the basis of daily balance outstanding and is charged in arrears to a members account on the last day of each month.

Loan Impairment

Impairment of a loan is recognised when there is reasonable doubt that not all the principal and interest can be collected in accordance with the terms of the loan agreement. Impairment is assessed by specific identification in relation to individual loans and by estimation of expected losses in relation to loan portfolios where specific identification is impracticable.

In addition to the above provisions, the Board has recognised the need to make an allocation from retained earnings to ensure there is adequate protection for members against the prospect that some members will experience loan repayment difficulties. The General Reserve for Credit Losses is based on estimation of potential risk in the loan portfolio.

Bad debts are written off when identified. If a 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 in the statement of comprehensive income.

The APRA Prudential Standards requires a minimum provision to be maintained, based on specific percentages of the loan balance which are contingent upon the length of time the repayments are in arrears.

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

Non-Accrual Loans - are loans and advances where the recovery of all interest and principal is considered to be reasonably doubtful, and hence provisions for impairment are recognised. While still legally recoverable interest is not brought to account unless recovery is assured.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

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

Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears. Full recovery of both principal and interest is expected.

Impairment

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

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

Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method 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 is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future taxable amounts will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Society will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Receivables - related parties entities

Amounts receivable from related parties/entities are carried at amortised cost. Details of the terms and conditions are set out in Note 35.

Property, plant and equipment & intangible assets

The Society recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred; if it is probable that the future economic benefits embodied within the item will flow to the Society, and the cost of the item can be measured reliably. All other costs are recognised in the Statement of Comprehensive Income as an expense as incurred.

Cost and valuation

Land is valued under the revaluation model every 3 years and all other items are carried at cost.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Depreciation

Depreciation is provided on a straight line basis (except motor vehicles where the diminishing value method is used) over the estimated useful life of all property, plant and equipment, other than freehold land. The estimated useful life in the current and comparative periods are as follows:

Major depreciation periods are:

Freehold buildings:	40 years
Leasehold improvements:	10 years (lease term)
Plant and equipment:	3 to 7 years

Intangible Assets

Computer software held as intangible assets is amortised over the expected useful life of the software from the date installed ready for use. The expected useful life of computer software is 3 to 10 years.

Recoverable amount

Land is not revalued to an amount above its recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount the expected net cash flows have been discounted to their present value using a market determined risk adjusted discount rate.

Income recognition

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(i) *Interest revenue*

Interest revenue is recognised using the effective interest method. Interest charged on members accounts is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

(ii) *Fees and commissions*

Fees and commissions are recognised once the right to receive consideration has been attained.

(iii) *Dividend income*

Dividend income is taken into revenue as received.

Member Deposits

Member savings and term investments are quoted at the aggregate amount of money owing to depositors.

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

Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the loans and borrowings using the effective interest method.

Borrowing costs are recognised as the liability for interest accrued.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

Subordinated debt and preference shares

Subordinated debt and preference shares are initially recorded at fair value, less capital raising costs – refer Note 20 & 21. They are subsequently measured at amortised cost using the effective interest rate method, less capital raising costs which are amortised over the expected period of the instrument.

Provision for Employee Benefits

Provision is made for the Society's liability for employee benefits arising from services rendered by employees to balance date.

Short-term employee benefits are current liabilities included in employee benefits, measured at the undiscounted amount that the Society expects to pay as a result of the unused entitlement. Annual leave is discounted when calculating the leave liability as the Society does not expect all annual leave for all employees to be used wholly within 12 months of the end of reporting period.

Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits discounted using national government bond rates.

Provision for long service leave is on a pro-rata basis from commencement of employment with the Society based on the present value of its estimated future cash flows.

Annual leave is accrued in respect of all employees on pro-rata entitlement for part years of service and leave entitlement due but not taken at balance date.

Contributions are made by the Society to an employee's superannuation fund and are charged to the income statement as incurred.

Provisions

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

Goods and Services Tax

As a financial institution the Society is Input Taxed on all income except other income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to Reduced Input Tax Credits, of which 75% of the GST paid is recoverable.

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

Receivables and payables are stated with the amount of GST included where applicable GST is collected. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or current liability in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

New or emerging standards not yet mandatory

Certain accounting standards and interpretations have been published that are not mandatory for the 30 June 2015 reporting period. The Society's assessment of the impact of these new standards and interpretations is set out below. Changes that are not likely to impact the financial report of the Society have not been reported.

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The main changes are:

- a. financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows
- b. allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- c. introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments
- d. financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases
- e. where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
 - the change attributable to changes in credit risk are presented in other comprehensive income (OCI)
 - the remaining change is presented in profit or loss

Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

The Society has not fully yet determined the potential effect of the standard. The Society does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted in respect of financial liabilities.

Effective for annual reporting period beginning on or after 1 January 2018

AASB 15 Revenue from Contracts with Customers

The standard replaces most of the existing standards and interpretations relating to revenue recognition, including AASB 118 Revenue and AASB 111 Construction Contracts

The standard shifts the focus from the transaction-level to a contract-based approach. Recognition is determined based on what the customer expects to be entitled to (rights and obligations), while measurement encompasses estimation by the entity of the amount expected to be entitled for performing under the contract.

The Society has not fully yet determined the potential effect of the standard.

Effective for annual reporting period beginning on or after 1 January 2017

AASB 2015-2 Amendments to AASB 101 Presentation of Financial Statement

Entities will be able to use the amendments to streamline or simplify disclosures in the financial statements. The amendments clarify that specific disclosures need not be made if the financial information resulting from the disclosure is not material, even if an Australian Accounting Standard states that the disclosure is a

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont...)

minimum requirement. Only significant accounting policies are required to be disclosed. There is flexibility as to the order in which notes are presented.

The Society has not fully yet determined the potential effect of the standard.

Effective for annual reporting period beginning on or after 1 January 2016.

New standards applicable for the current year

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

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement.

There was no material impact to the Society.

Use of estimates and judgements

In the process of applying the Society's accounting policies management has used judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

(i) Impairment losses on loans and advances

The Society reviews its individually significant loans and advances on a monthly basis to assess whether an impairment loss should be recorded in the statement of comprehensive income. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
2. INTEREST REVENUE AND INTEREST EXPENSE			
Interest Revenue			
Deposits with other financial institutions		1,344	1,249
Investment securities		134	157
Loans and advances		4,539	4,626
Loans to capital investors		5	5
		6,022	6,037
Interest Expense			
Deposits		3,325	3,424
Short term borrowings		1	2
Subordinated debt		145	147
		3,471	3,573
Net Interest Income		2,551	2,464
3. OTHER REVENUE AND OTHER OPERATING EXPENSES			
(a) Other Revenue			
Dividends			
- Other corporations		42	54
Profit on disposal of other investments, plant and equipment		-	-
Fees and commissions			
- Loan fee income		42	41
- Other fee income		188	207
- Insurance commissions		241	212
- Other commissions		127	148
Bad debts recovered		16	29
Other revenue			
- Income from property		68	65
Total other revenue		724	756
(b) Other Operating Expenses			
Depreciation and amortisation			
- Plant and equipment		99	91
- Buildings		26	26
- Leasehold improvements		5	5
- Intangible assets		80	80
		210	202
Employee benefits expense			
- Personnel costs		1,002	1,042
- Provision for employee entitlements		19	23
- Contributions to accumulation superannuation funds		122	123
		1,143	1,188
Other Expenses			
- IT/Software		421	404
- General and administration		934	945
		1,355	1,349
Total other operating expenses		2,708	2,739

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015	2014
		\$'000	\$'000
4. PROFIT BEFORE INCOME TAX EXPENSE			
Profit from ordinary activities before income tax expense does not include any items whose disclosure is not relevant in explaining the financial performance of the Society.			
5. INCOME TAX			
(a) The prima facie tax payable on operating profit is reconciled to the income tax expense in the accounts as follows:			
Profit from operations before tax		567	551
Prima facie tax payable on operating profit before income tax at 30%		170	165
Add tax effect of expenses not deductible			
- Other non-deductible expenses		7	7
Subtotal		177	172
Add			
- Deferred Tax Expense		9	15
Less			
- Overprovision/(underprovision) of tax in prior year		(1)	(5)
- Franking Rebate		(18)	(23)
Income tax expense attributable to operating profit		167	159
(b) Franking Credits			
The amount of franking credits held by the Society after adjusting for franking credits that will arise from the payment of income tax payable as at the end of the financial year is:			
		1,884	1,744
6. CASH AND CASH EQUIVALENTS			
Cash on hand		855	471
Deposits at call		6,850	10,645
		7,705	11,116
7. DEPOSITS WITH OTHER FINANCIAL INSTITUTIONS			
Interest earning deposits		20,050	17,000
Maturity Analysis			
Not longer than 3 months		19,050	16,000
Longer than 3 and not longer than 12 months		1,000	-
Longer than 12 months		-	1,000
		20,050	17,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
8. ACCRUED RECEIVABLES			
Interest receivable		162	184
Other		64	30
		226	214
9. INVESTMENT SECURITIES			
Government and semi-government securities/bonds		-	5,000
Floating rate notes		14,755	7,008
		14,755	12,008
Maturity Analysis			
Not longer than 3 months		3,750	1,000
Longer than 3 and not longer than 12 months		1,000	-
Longer than 1 and not longer than 5 years		10,005	11,008
		14,755	12,008
10. LOANS AND ADVANCES			
Overdrafts		468	472
Term loans		88,687	80,643
Loans to capital investors		180	180
		89,335	81,295
Provision for impairment	10(g)(i)	(598)	(628)
Total loans and advances (net)		88,737	80,667
(a) Aggregate amounts receivable from related parties:			
Directors and Director-related entities			
– Directors		280	282
(b) Maturity Analysis			
Overdrafts		468	472
Not longer than 3 months		3	1
Longer than 3 and not longer than 12 months		121	161
Longer than 1 and not longer than 5 years		2,598	3,193
Longer than 5 years		86,145	77,468
		89,335	81,295
(c) Credit Quality – Security Dissection			
Secured by mortgage		84,847	76,254
Secured other		4,121	4,811
Unsecured		367	230
Total		89,335	81,295

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
10. LOANS AND ADVANCES (Cont...)			
d) Funds Under Management			
<p>At 30 June 2015 the Society provided management for \$11,753,386 (2014 - \$14,254,951) of off balance sheet securitised loans to members which are financed by Perpetual Trustee Company Ltd (mortgage provider). These loans do not qualify for recognition in the books of the Society and accordingly are not brought to account in the books of the Society at any time. The Society receives fees and commissions from borrowers and the mortgage provider for the establishment of the loans and for the ongoing management of the loans. The mortgage provider assumes all of the risk in relation to these loans.</p>			
(e) Concentration of Risk			
<p>The Society has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:</p>			
(i) Geographic			
- Victorian residents		78,117	71,063
- Other		10,620	9,604
		88,737	80,667
(ii) Industry			
- Employed by Ford Motor Company Limited		21,112	18,493
<p>The Society's loan portfolio includes seven loans totalling \$7,559,383 which represents 10% or more of capital.</p>			
(f) Loans to Capital Investors			
Subordinated loans to Preference share investors	21	180	180

These loans are issued as subordinated loans to the respective investors and on the following terms and conditions :

- the loans are unsecured;
- interest is payable quarterly in arrears;
- interest may be withheld if the Society fails to pay dividends or interest on the respective preference shares;
- no repayments are required until the respective preference shares are settled in accordance with the agreements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
10. LOANS AND ADVANCES (Cont...)			
(g) Provision on Impaired Loans			
(i) The Specific Provision Comprises:			
- Prescribed provision required under the APRA Prudential Standards		4	5
- Additional specific and collective provisions		594	623
		598	628
In assessing the specific provision the APRA reporting requirements recognise the inclusion of a collective provision.			
(ii) Movement in the Specific Provision			
Balance at the beginning of year		628	698
Impairment charge for the year		-	(70)
Bad debts written off		(30)	-
Specific Provision Balance at end of year		598	628
Bad Debts recovered in the period		16	29
(iv) Impairment of loans and advances			
The policy covering impaired assets is set out in Note 1			
Non-accrual loans			
		12	18
(h) Past due but not impaired			
As at 30 June 2015 loans and advances of \$691,754 (2014 \$721,685) were past due but not impaired. Adequate security is held to cover recovery of the debt. The ageing analysis is as follows:			
Past due up to 90 days (fully secured)		517	541
Past due 90 - 365 days (fully secured)		175	181
		692	722

Key assumptions in determining the provision for impairment

In the course of the preparation of the annual report the Society has determined the likely impairment loss on loans which have not maintained the loan repayments in accordance with the loan contract, or where there is other evidence of potential impairment such as industrial restructuring, job losses or economic circumstances. In identifying the impairment likely from these events the Society is required to estimate the potential impairment using the length of time the loan is in arrears, the historical losses arising in past years, and the security held. Given the relatively small number of impaired loans, the circumstances may vary for each loan over time resulting in higher or lower impairment losses. An estimate is based on the period of impairment.

Period of impairment	% of Loan Balance
Number of days in arrears	
Up to 90 days	0
90 days to 181 days	40
182 days to 272 days	60
273 days to 364 days	80
365 days and over	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
11. OTHER INVESTMENTS			
Shares in Unlisted companies – at cost			
- Credit Union Services Corporation (Aust) Limited	38	254	254
- Transaction Solutions Pty Limited	38	10	10
TOTAL INVESTMENTS		264	264
Disclosures on Shares held at cost:			
(a) Credit Union Services Corporation (Aust) Limited (CUSCAL)			
<p>The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member Credit Unions and does not have an independent business focus. These shares are held to enable the Society to receive essential banking services – refer to Note 38. The shares are not able to be traded and are not redeemable.</p> <p>The financial reports of CUSCAL record net tangible asset backing of these shares exceeding their cost value. Based on the net assets of CUSCAL, any fair value determination on these shares is likely to be greater than their cost value, but due to the absence of a ready market and restrictions on the ability to transfer the shares, a market value is not able to be determined readily.</p> <p>The Society is not intending, nor able to dispose of these shares, without a majority of CUSCAL shareholder approval.</p>			
(b) Transaction Solutions Pty Ltd			
<p>The shareholding in Transaction solutions Pty Ltd (TAS) is measured at cost as its fair value could not be measured reliably. These shares are held to enable the Society to receive essential banking services – refer to Note 38.</p> <p>The Society is not intending, nor able to dispose of these shares, without a majority of TAS shareholder approval.</p>			
12. PROPERTY, PLANT AND EQUIPMENT			
Freehold land			
At fair value		1,680	1,680
Buildings on freehold land			
At cost		1,022	1,022
Less Provision for depreciation		608	583
		414	439
Total freehold land and buildings		2,094	2,119
Leasehold improvements			
At cost		31	31
Less Provision for depreciation		13	8
Total leasehold improvements		18	23

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
12. PROPERTY, PLANT AND EQUIPMENT (cont...)			
Plant and equipment			
At cost		1,791	1,725
Less Provision for depreciation		1,606	1,507
Total plant and equipment		185	218
Total property, plant and equipment			
At cost		2,844	2,778
At fair value		1,680	1,680
Less Provision for depreciation		2,227	2,098
Total written down amount		2,297	2,360

(a) Valuations

Land is independently valued at frequencies not exceeding three years. The independent valuation of land at 30 June 2014 was performed by (Opteon) - Shane Irwin, AAPI Certified Practicing Valuer, API No. 62356.

The valuation basis for land is fair value in compliance with AASB13. The fair value of non-financial assets takes into account a market participants ability to generate economic benefits by using the assets in its highest and best use or buy selling it to another market participant that would use the asset in its highest and best use. In the opinion of the Directors there have been no significant changes in market value since this date.

The revaluation surplus net of applicable deferred income taxes was credited to asset revaluation reserves in Note 24.

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current financial year are set out below:

2014/2015	Land \$'000	Bldgs \$'000	L/hold Improve \$'000	Plant & Equip. \$'000	Total \$'000
Carrying amount at start of year	1,680	439	23	218	2,360
Revaluation increments	-	-	-	-	-
Additions	-	-	-	67	67
Less Disposals	-	-	-	-	-
Less Depreciation	-	26	5	99	130
Carrying amount at end of year	1,680	413	18	186	2,297
2013/2014					
	Land \$'000	Bldgs \$'000	L/hold Improve \$'000	Plant & Equip. \$'000	Total \$'000
Carrying amount at start of year	1,585	465	28	208	2,286
Revaluation increments	95	-	-	-	95
Additions	-	-	-	111	111
Less Disposals	-	-	-	10	10
Less Depreciation	-	26	5	91	122
Carrying amount at end of year	1,680	439	23	218	2,360

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
13. DEFERRED TAX ASSETS			
Deferred Tax Assets comprise:			
Provisions for Impairment on Loans		210	219
Provisions for Staff entitlements		113	116
Provisions for other liabilities		10	7
		333	342
14. INTANGIBLE ASSETS			
Computer software		799	799
Less Provision for amortisation		482	402
Total written down amount		317	397
	2014 / 15 Computer Software \$'000	2013 / 14 Computer Software \$'000	
Carrying amount at start of year	397	477	
Amortisation	80	80	
Carrying amount at the end of year	317	397	
15. DEPOSITS FROM MEMBERS			
Call deposits		84,982	70,922
Term deposits		36,775	40,386
Total Deposits		121,757	111,308
Members withdrawable shares		45	47
		121,802	111,355
(a) Maturity Analysis			
On call		84,982	70,922
Not longer than 3 months		22,352	25,413
Longer than 3 and not longer than 12 months		14,423	14,973
No maturity specified		45	47
		121,802	111,355
(b) Concentration of Deposits			
The Society has an exposure to groupings of individual deposits which concentrate risk and create exposure to particular segments as follows:			
(i) Geographic			
- Victorian residents		96,280	89,514
- Other		25,522	21,841
		121,802	111,355
(ii) Industry			
- Employed by Ford Motor Company Limited		5,809	6,009

The Society's deposit portfolio does not include any deposit which represents 10% or more of total liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
15. DEPOSITS FROM MEMBERS (cont...)			
(c) Members withdrawable shares			
Since all member shares issued are withdrawable at the discretion of the member, on closure of their account, shares are recognised as liabilities rather than equity. All shares carry the same voting entitlements.			
Shares at beginning of the year		47	49
Shares issued in the year		2	2
Shares redeemed from share account		(4)	(4)
		45	47
16. PAYABLES			
Bank overdraft		48	373
Trade creditors		132	98
Accrued interest payable		301	368
Other creditors		65	172
		546	1,011
17. TAX LIABILITIES			
Taxation Payable		50	45
18. EMPLOYEE BENEFITS			
Annual Leave		120	131
Long Service Leave		226	229
		346	360
19. DEFERRED TAX LIABILITIES			
Deferred tax liabilities		193	193
Deferred income tax liability comprises			
Tax on revalued property held in equity		193	193
20. SUBORDINATED DEBT			
Balance at the beginning of the year		1,674	1,666
Deferral of debt raising costs		-	-
Add back of debt raising costs		8	8
Balance at the end of year		1,682	1,674

Subordinated Debt

The Society entered into an agreement to issue Subordinated Debt, which was approved at the members meeting held on 30 March 2006. The subordinated debt maturing on 21 June 2016 was repaid on 15 November 2012 and replaced with the current subordinated debt issue also for \$1.7m which has a maturity of 10 years with repayment date on 9 November 2022. The Society however, may exercise its rights to call up and repay the subordinated debt earlier by 9 November 2017 being the de-recognition date of the capital instrument as per APRA Prudential Standards - Basel III transitional arrangements (APS 111) applying to this capital instrument. Interest is payable quarterly at 90 Day BBSW plus a margin of 5.93% over the financial year. The subordinated debt forms part of the regulatory capital of the Society – refer Note 28.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015		Notes	2015	2014
			\$'000	\$'000
21. PERMANENT SHARE CAPITAL				
Balance at the beginning of the year			1,759	1,759
Balance at the end of year			1,759	1,759
Number of shares issued and paid		No.		
Balance at the beginning of the year		18,000		
Shares issued during the year		-		
Balance at end of the year		<u>18,000</u>		
<p>The Society entered into an agreement to issue irredeemable non voting preference shares which was approved at the members meeting held on 30 March 2006. The shares carry no voting rights for the shareholder investor and are redeemable by the Society after 21 June 2016. The agreement specified that the Society also place loans equivalent to 10% of the value of the shares as subordinated debt with the investors as security for payment of dividends and interest respectively. The preference shares form part of the regulatory capital of the Society – refer Note 28. For details on dividends paid refer to Note 37.</p>				
22. CAPITAL RESERVE ACCOUNT				
Balance at beginning of the year			104	100
Redeemed member shares			4	4
Balance at end of the year			108	104
<p>Under the Corporations Act 2001 (S.254K) redeemable shares (member shares) may only be redeemed out of profits or new shares issued for the purpose of the redemption. The Capital Reserve Account represents the shares redeemed by members. Member shares for existing and new members of the Society are shown as Liabilities – refer Note 15(c)</p>				
23. RESERVES				
General Reserve			3,000	3,000
General Reserve for Credit Losses			102	102
TOTAL RESERVES			3,102	3,102
General Reserve				
<p>The general reserve is used from time to time to transfer profits from retained earnings for appropriation purpose. There is no policy of regular transfer. As the general reserve is created by a transfer from one component of equity to another and is not an item of other comprehensive income, items included in the general reserve will not be reclassified subsequently to profit or loss.</p>				
General Reserve for Credit Losses				
<p>This reserve records amounts previously set aside as a General Provision and is maintained to comply with the Prudential Standards set down by APRA.</p>				
Movements in Reserves				
Balance at beginning of year			102	102
Balance at end of year			102	102

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
24. ASSET REVALUATION RESERVE			
Asset revaluation reserve - land		837	837
Movement in reserves			
Asset revaluation reserve - land			
The asset revaluation reserve accounts for the unrealised gains on assets due to revaluation to fair value.			
Balance at the beginning of the year		837	771
Add: increase on revaluation of land		-	95
Less: tax effect		-	(29)
Balance at the end of the year		837	837
25. RETAINED PROFITS			
Retained Profits at the beginning of the financial year		4,013	3,697
Add Profit for the year		400	392
Less Dividends Paid		(70)	(72)
Less Transfer to Reserve Capital account on redemption of shares		(4)	(4)
Retained Profits at the end of the Financial Year		4,339	4,013
26. CATEGORIES OF FINANCIAL INSTRUMENTS			
The following information classifies the financial instruments into measurement classes.			
Financial assets - carried at amortised cost			
Cash	6	855	471
Receivables	8	64	30
Receivables from financial institutions	6,7,8,9	41,817	39,837
Loans to members	10	88,557	80,487
Loans to capital investors	10	180	180
Total loans and receivables		131,473	121,005
Available for sale investments - carried at cost	11	264	264
Total available for sale investments		264	264
TOTAL FINANCIAL ASSETS		131,737	121,269
Financial liabilities – carried at amortised cost			
Payables	16	546	1,011
Deposits from members	15	121,802	111,355
Long term borrowings	20	1,682	1,674
TOTAL FINANCIAL LIABILITES		124,030	114,040
NET FINANCIAL ASSETS		7,707	7,229
Equity Instruments – Preference Shares	21	1,759	1,759

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

27. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

2015	Within 1	1-Mar	3-Dec	1-May	After 5	No	TOTAL
	month	months	months	years	years	Maturity	
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	855	-	-	-	-	-	855
Receivables from other financial institutions	17,726	24,091	-	-	-	-	41,817
Loans to members	468	3	127	3,261	129,683	-	133,542
Loans to capital investors	-	-	180	-	-	-	180
Total financial Assets	19,049	24,094	307	3,261	129,683	-	176,394
LIABILITIES							
Borrowings	48	-	-	-	-	-	48
Creditors	498	-	-	-	-	-	498
Deposits from members							
- at call	85,550	-	-	-	-	45	85,595
Deposits from members							
- at term	10,013	11,837	14,577	149	-	-	36,576
Subordinated debt	-	-	-	-	1,682	-	1,682
On Balance Sheet	96,109	11,837	14,577	149	1,682	45	124,399
Undrawn commitments	2,232	-	-	-	-	-	2,232
Total financial Liabilities	98,341	11,837	14,577	149	1,682	45	126,631
EQUITY INSTRUMENTS							
Preference shares	-	-	-	-	1,759	-	1,759

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015
27. MATURITY PROFILE OF FINANCIAL ASSETS AND LIABILITIES (Cont...)

2014	Within 1	1-Mar	3-Dec	1-May	After 5	No	TOTAL
	month	months	months	years	years	Maturity	
	\$	\$	\$	\$	\$	\$	\$
ASSETS							
Cash	471	-	-	-	-	-	471
Receivables from other financial institutions	20,226	7,539	-	12,072	-	-	39,837
Loans to members	472	1	169	4,121	122,115	-	126,878
Loans to capital investors	-	-	-	180	-	-	180
Total financial Assets	21,169	7,540	169	16,373	122,115	-	167,366
LIABILITIES							
Borrowings	373	-	-	-	-	-	373
Creditors	638	-	-	-	-	-	638
Deposits from members							
- at call	71,210	-	-	-	-	47	71,257
Deposits from members							
- at term	12,133	13,384	14,988	54	-	-	40,559
Subordinated debt	-	-	-	-	1,674	-	1,674
On Balance Sheet	84,354	13,384	14,988	54	1,674	47	114,501
Undrawn commitments	2,648	-	-	-	-	-	2,648
Total financial Liabilities	87,002	13,384	14,988	54	1,674	47	117,149
EQUITY INSTRUMENTS							
Preference shares	-	-	-	-	1,759	-	1,759

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

Notes

2015
\$'000

2014
\$'000

28. CAPITAL MANAGEMENT

The Society maintains an actively managed capital base to cover its risks inherent in the business. The adequacy of the Society's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking and adopted by the Australian Prudential Regulatory Authority (APRA).

The primary objectives of the Society's capital management are to ensure that the Society complies with externally imposed capital requirements and that the Society maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise members' value.

The Society has a capital management plan and an Internal Capital Adequacy Assessment Process (ICAAP) to ensure it maintains an appropriate capital base to cover the risks inherent in the business. The plan and ICAAP includes addressing the capital requirements prescribed by regulators, principally through the Society's strategy for managing capital resources over time, its capital target, how the required capital is to be met and actions and procedures for monitoring compliance with minimum regulatory capital adequacy requirements. The strategy primarily focuses on building accumulated reserves from earnings but may include share issues and subordinated debt raisings.

Capital adequacy is determined as a ratio of the capital base to the Society's risk weighted exposures. Risk weighted exposures comprises all assets and certain other credit commitments, and operational risk, discounted by regulatory prescribed factors as appropriate, to reflect the lower risk profile of certain assets, commitments and operational risk.

The Society manages as capital the following:

Regulatory Capital Base	9,516	9,977
Less regulatory prescribed adjustments	960	1,057
Capital Base	8,556	8,920
Risk weighted exposures	60,942	55,928
Capital adequacy ratio	14.04%	15.95%

During the past year, the Society has complied in full with all its externally imposed capital requirements and met its desired capital goals.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

Notes 2015 2014
\$'000 \$'000

29. FINANCIAL COMMITMENTS

(a) Outstanding loan commitments		
Loans approved but not funded	778	1,432
(b) Loan redraw facilities		
Loan redraw facilities available	11,563	10,265
(c) Undrawn loan facilities		
Loan facilities available to members for overdrafts and line of credit loans are as follows:		
Total value of facilities approved	967	1,064
Less: Amount advanced	465	475
Net undrawn value	502	589
These commitments are contingent on members maintaining credit standards and ongoing repayment terms on amounts drawn.		
Total financial commitments	12,843	12,286

30. DISCLOSURES ON DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

(a) Remuneration of Key Management Persons [KMP]		
KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the Society, directly or indirectly, including any Director (whether executive or otherwise) of that Society. Control is the power to govern the financial and operating policies of a Society so as to obtain benefits from its activities.		
KMP have been taken to comprise the Directors (see Note 35) and the executive management being responsible for the day to day financial and operational management of the society. The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:		
Short-term employee benefits – salaries/annual leave/fees/non monetary benefits	360	356
Post-employment benefits - superannuation contributions	29	27
Other long-term benefits – long service leave	10	4
Total	399	387
(b) Loans to Directors and other KMP.		
Balance owing at 30 June 2015	689	700
Summary of transactions:		
New loans advanced	4	204
Interest and fees charges	39	57
Repayments	55	567
Revolving credit facilities:		
Total value extended	4	4
Balance utilised at 30 June 2015	-	-
Savings and term deposit services:		
Amounts deposited at 30 June 2015	961	651

Loans and revolving credit facilities are made to KMP in the course of ordinary business on normal commercial terms and conditions. These include secured and unsecured loans. Loans must be repaid and paid out in cash. No loan or revolving credit is impaired and no loan has been written off as a bad debt. Savings and term deposit services are extended to KMP in the course of ordinary business on normal commercial terms and conditions. The KMP declare that they have no influence over, or are influenced by, close family members or other related parties that have lending or banking relationships with the Society. These close family members or related parties conduct transactions with the Society on normal terms and conditions offered to all other members.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
31. STATEMENT OF CASH FLOWS			
(a) Reconciliation of the operating profit after tax to the net cash flows from operations			
Profit after tax		400	392
Loan impairment		-	(70)
Depreciation and amortisation of property, plant & equipment		210	202
Amortisation of debt raising costs		8	8
Changes in assets and liabilities			
Other financial assets		5	(5)
Accrued receivables		(12)	139
Payables		(140)	(224)
Tax provision		5	13
Provision for employee benefits		(14)	23
Deferred tax asset		9	14
Loans and advances		(8,070)	(3,894)
Member deposits		10,447	5,276
Net cash flow from revenue activities		2,848	1,874
(b) Reconciliation of cash			
Cash balance comprises:			
– Cash		855	471
– Other short-term liquid assets		6,850	10,645
– Bank overdraft		(48)	(373)
Closing cash balance		7,657	10,743
(c) Cash flows arising from the following activities are presented on a net basis in the Cash Flow Statement:			
(i) customer deposits to and withdrawals from deposit accounts;			
(ii) borrowings and repayments on loans, advances and other receivables;			
(iii) purchases of and proceeds from redemption of investments.			
(d) Bank Overdraft Facility			
The Society has an overdraft facility available to the extent of \$1,000,000 (2014 \$1,000,000).			
The overdraft facility is provided by Credit Union Services Corporation (Australia) Limited and is secured by way of a first ranking floating charge over all the assets and undertakings of the Society.			

32. EXPENDITURE COMMITMENTS

Capital expenditure commitments

Estimated capital expenditure contracted for at balance date but not provided for is nil.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
33. CONTINGENT LIABILITIES AND CREDIT COMMITMENTS			
<p>In the normal course of business the Society enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of customers.</p> <p>The Society uses the same credit policies and assessment criteria in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet loan assets. The Society holds collateral supporting these commitments where it is deemed necessary.</p>			
(a) Contingent Liabilities			
<p>Credit Union Financial Support System Limited</p> <p>With effect from 1 July 1999, Ford Co-operative Credit Society Limited is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme in which all Credit Unions that are affiliated with Credit Union Services Corporation (Australia) Limited (Cuscal) have agreed to participate.</p> <p>CUFSS is a company limited by guarantee, each Credit Union's guarantee being \$100.</p> <p>As a member of CUFSS, the Society:</p> <ul style="list-style-type: none"> • May be required to advance funds of up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support; • May be required to advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support; • Agrees, in conjunction with other members, to fund the operating costs of CUFSS. 			
(b) Credit related commitments			
<p>Binding commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Approved but undrawn loans and unused continuing credit facilities</p>			
		778	1,432

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

Notes

2015	2014
\$'000	\$'000

34. AUDITOR'S REMUNERATION

Amounts received or due and receivable by the auditors of Ford Co-operative Credit Society Limited for:

- an audit or review of the financial statements of the Society
- other services in relation to the Society

39	39
10	8
49	47

35. RELATED PARTY DISCLOSURES

(a) The Directors of Ford Co-operative Credit Society Limited during the financial year were:

- D.M. Raimondo;
- C.G. MacDonald;
- P.F. Bone;
- T.J. Boyd;
- D.J.S. Burke;
- T.A. O'Brian; and
- S.D. Randall.

(b) The following related party transactions occurred during the financial year:

Transactions with the Directors of Ford Co-operative Credit Society Limited

Loans and advances to Directors:

Loans and advances amounting to \$4,100 (2014 \$204,332) have been provided and repayments amounting to \$5,495 (2014 \$502,173) have been received by Ford Co-operative Credit Society Limited. The terms and conditions of all loans and advances to Directors are on the same basis as members and have not been breached. Each director would hold at least 1 share in the Credit Union.

36. SEGMENT INFORMATION

The Society operates predominantly in the finance industry within the regions of Geelong, Melbourne and Sydney. The operations mainly comprise the acceptance of deposits and the provision of loans. Specific segmentation of loans and deposits are set out in Notes 10 & 15.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015	Notes	2015 \$'000	2014 \$'000
37. DIVIDENDS PAID			
Dividend paid on permanent preference shares (fully franked)		70	72

The payment of dividends on permanent preference shares is paid on a quarterly basis at a floating rate equal to three month AUD-BBR-BBSW plus a margin of 1.43% per annum multiplied by (1-T) where T is the prevailing Australian corporate tax rate at the time of payment of the dividend.

Dividends may only be paid out of distributable profits.

Distributable profits mean the profits after tax of the Society for the 12 month period ending 30 June 2015.

The payment of a dividend is also subject to the Society having profits available for the payment of a dividend as required by the Corporations Act and such payment not exceeding 100% of the Society's annual profit after tax in any year.

Dividends are payable in arrears on 30 June, 30 September, 31 December and 31 March in each year that the permanent preference shares are on issue.

38. OUTSOURCING ARRANGEMENTS

The Society has entered into contracts with, and has outsourcing arrangements with, the following organisations and service providers:

- (a) Credit Union Services Corporation (Australia) Limited.
This company is the national services company for the affiliated Credit Union Movement within Australia. This company operates the payment switch used to link Redicards operated through Reditellers, and other approved ATM and EFTPOS suppliers to the Society's information system. The Society has entered into an agreement with this entity for licences to operate computer software, support for software, rights to Redicards, and the provision of central banking facilities.
- (b) Transaction Solutions Pty Ltd
This company owns and operates the information system utilised by the Society on a bureau basis and provides computer disaster recovery facilities.
- (c) Ultradata Australia Pty Limited
Provides and maintains the application software utilised by the Society to deliver its banking services.
- (d) Other Relationships
Relationships also exist with Ford Motor Company of Australia and with other service providers for a range of other services to members, including: BPay, Bridges Personal Investment, Vermilian, Bank@Post and QBE Insurance.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

39. FINANCIAL INSTRUMENTS

(a) Terms, conditions and accounting policies

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

Recognised Financial Instruments	Balance Sheet Notes	Accounting Policies	Terms and Conditions
(i) Financial assets			
Cash and cash equivalents; Bank Overdrafts	6	Cash and cash equivalents are stated at cost. Interest is recognised when earned. The bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.	Cash and cash equivalents are available at call. Interest is charged at the benchmark rate. Details of the security over the overdrafts are set out in Note 31.
Loans and advances	10	Interest revenue is recognised using the effective interest method. Interest charged on members accounts is calculated on the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.	All housing loans are secured by registered mortgages. The remaining loans are assessed on an individual basis.
Receivables – related parties/entities	10	Amounts receivable from related parties/entities are carried at amortised cost.	Details of the terms and conditions are set out in Note 35.
Deposits with other financial institutions and investment securities	7, 9	These amounts are stated at amortised cost. Interest is recognised in the profit and loss when earned.	These amounts have an average maturity of 249 days and effective interest rates of 1.50% to 3.76%, (2014: 2.35% to 4.21%).
Other investments	11	Unlisted shares are stated at cost. Dividend income is recognised when the dividends are received.	N/A
(ii) Financial liabilities			
Payables	16	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Society.	Trade liabilities are normally settled on 30 day terms.
Deposits from members	15	Deposits are recorded at the principal amount.	Details of maturity terms are set out in Note 15. Interest is balance outstanding.
Subordinated debt	20	After initial recognition, the subordinated debt is recognised using the effective interest rate method, less debt raising costs which are amortised over the expected period of the debt.	Details of maturity terms are set out in Note 20.
(iii) Equity instruments			
Preference shares	21	Issued preference shares, net of share issue costs, are classified as equity as they exhibit characteristics of equity - non-redeemable by the investor, have no fixed and determinable costs and are not for a fixed amount of time.	Details of maturity terms are set out in Note 21.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

39. FINANCIAL INSTRUMENTS (Cont...)

(b) Interest rate risk

The Society's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised at the balance date, are as follows:

Financial Instruments	Floating interest rate		Fixed interest rate maturing in:						Non-interest Bearing		Total carrying amount as per the statement of financial position		Weighted average effective interest rate	
	2015 \$'000	2014 \$'000	1 year or less		1 - 5 years		More than 5 years		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 %	2014 %
			2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000						
(i) Financial assets														
Cash and liquid assets	6,850	10,645	-	-	-	-	-	-	855	471	7,705	11,116	1.81%	3.49%
Deposits with other financial institutions	-	-	20,050	17,000	-	-	-	-	-	-	20,050	17,000	2.77%	3.57%
Loans and advances - related parties/entities	280	282	-	-	-	-	-	-	-	-	280	282	6.00%	6.05%
Unlisted shares	-	-	-	-	-	-	-	-	264	264	264	264	N/A	N/A
Government and semi-government bonds	-	-	-	-	-	5,000	-	-	-	-	-	5,000	N/A	3.35%
Floating rate notes	-	-	-	-	14,755	7,008	-	-	-	-	14,755	7,008	3.19%	3.87%
Loans and advances	88,456	80,361	-	24	-	-	-	-	-	-	88,456	80,385	5.10%	5.81%
Total financial assets	95,586	91,288	20,050	17,024	14,755	12,008	-	-	1,119	735	131,510	121,055	-	-
(ii) Financial liabilities														
Deposits from members	84,982	70,922	36,775	40,386	-	-	-	-	45	47	121,802	111,355	2.42%	3.12%
Payables	-	-	-	-	-	-	-	-	546	1,011	546	1,011	N/A	N/A
Subordinated debt	1,682	1,674	-	-	-	-	-	-	-	-	1,682	1,674	8.54%	8.62%
Total financial liabilities	86,664	72,596	36,775	40,386	-	-	-	-	591	1,058	124,030	114,040	-	-
(iii) Equity instruments														
Preference shares	1,759	1,759	-	-	-	-	-	-	-	-	1,759	1,759	-	-

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

39. FINANCIAL INSTRUMENTS (Cont...)

(c) Net fair values

The aggregate net fair values of financial assets and financial liabilities, both recognised and unrecognised, at the balance date, are as follows.

	Total carrying amount as per the statement of financial position		Aggregate net fair value	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial assets				
Cash and cash equivalents	7,705	11,116	7,705	11,116
Deposits with other financial institutions	20,050	17,000	20,050	17,000
Loans & advances - related parties/entities	280	282	280	282
Government & semi-government bonds	-	5,000	-	5,000
Floating rate notes	14,755	7,008	14,755	7,008
Loans and advances	88,456	80,385	88,456	80,385
Unlisted shares	264	264	264	264
Total financial assets	131,510	121,055	131,510	121,055
Financial liabilities				
Deposits from members	121,802	111,355	121,854	111,370
Payables	546	1,011	546	1,011
Subordinated debt	1,682	1,674	1,682	1,674
Total financial liabilities	124,030	114,040	124,082	114,055
Equity instruments				
Preference Shares	1,759	1,759	1,759	1,759

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

The fair value is required to be disclosed where the financial instruments are not measured at fair value in the statement of financial position. Disclosure of fair value is not required when the carrying amount is a reasonable approximation of fair value.

Assets where the fair value is lower than the book value have not been written down in the accounts of the Society on the basis that they are held to maturity, or in the case of loans, all amounts due are expected to be recovered in full.

The Society has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. The description of the valuation techniques and assumptions are detailed below:

Cash and liquid assets due from other financial institutions

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

Loans and advances

The majority of the Society's loans are variable rate loans. The carrying amount of these loans is considered to approximate fair value. The net fair values of any non variable rate loans are estimated using discounted cash flow analysis, based on current incremental lending rates for similar types of lending arrangements. The net fair value of impaired loans was calculated by discounting expected cash flows using a rate which includes a premium for the uncertainty of the flows.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

39. FINANCIAL INSTRUMENTS (Cont...)

(c) Net fair values (cont...)

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the statement of financial position. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period to maturity. The maximum term for fixed term deposits accepted by the Society is 2 years.

The Society has assessed its own credit risk in regards to the fair value of deposits, and has assessed that no material valuation adjustment is required based on the capital management system utilised by the Society as outlined at Note 28.

Short term borrowings

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

Long-term borrowings

The fair values of long-term borrowings are estimated using discounted cash flow analysis, based on current incremental borrowing rates for similar types of borrowing arrangements.

Other financial liabilities

This includes interest payable and trade and other payables for which the carrying amount is considered to be a reasonable approximation of fair value given the short term nature.

(d) Interest rate risk

Fair value sensitivity analysis for fixed rate instruments

The Society does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Sensitivity analysis

The Society is exposed to interest rates arising from mismatches in the repricing dates between financial assets and financial liabilities. As at 30 June 2015, it is estimated that a general decrease of one percentage point in interest rates would decrease the Society's profit before tax by approximately \$168,609 (2014 \$149,949)

A general increase of one percentage point in interest rates would have an equal but opposite effect to the amounts shown above.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

39. FINANCIAL INSTRUMENTS (Cont...)

(e) Credit risk exposures

The Society's maximum exposures* to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

Concentrations of credit risk

The Society minimises concentrations of credit risk in relation to loans receivable by undertaking transactions with a large number of customers within the specified categories. Refer also to Note 36 – Segment information.

	Maximum credit risk exposure* for each concentration			
	Percentage of total loans receivable (%)		\$'000	
Geographic/Industry	2015	2014	2015	2014
Victorian Residents	88%	88%	78,117	71,063
Other non-concentrated	12%	12%	10,620	9,604
	100%	100%	88,737	80,667
Employed by Ford Motor Company	24%	23%	21,112	18,494
Other non-concentrated	76%	77%	67,624	62,173
	100%	100%	88,736	80,667

Credit risk in loans receivable is managed in the following ways:

- a risk assessment process is used for all customers; and
- credit insurance is obtained for high risk customers.

* The maximum credit risk exposure does not take into account the value of any collateral or other security held, in the event other entities/parties fail to perform their obligations under the financial instruments in question.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (cont...)

30 June 2015

40. FAIR VALUE MEASUREMENT

The following table highlights the Society's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

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

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

Level 3: Unobservable inputs for the asset or liability.

2015	Level 2		Level 3
Assets measured at fair value	\$		\$
Land	1,680	Shares	264
Total Assets	1,680	Total Assets	264

2014	Level 2		Level 3
Assets measured at fair value	\$		\$
Land	1,680	Shares	264
Total Assets	1,680	Total Assets	264

The Society has assessed that at balance date, the carrying amount of all financial instruments approximates fair value. Refer to Note 39(c).

Valuation techniques for fair value measurements:

Land has been valued based on similar assets, location and market conditions.

Shares are unlisted equity investments. Given there are no quoted market prices and fair value can not be reliably measured, investments are held at cost less impairment.

Movements in Level 2 & 3 assets during the current and previous financial year are as set out below:

	Land	Shares
	\$	\$
Balance as at 1 July 2013	1,585	264
Additions	-	-
Losses recognised in other comprehensive income	-	-
Revaluation increment through profit and loss	95	-
Depreciation expense	-	-
Balance as at 30 June 2014	1,680	264

	Land	Shares
	\$	\$
Balance as at 1 July 2014	1,680	264
Additions	-	-
Losses recognised in other comprehensive income	-	-
Revaluation increment through profit and loss	-	-
Depreciation expense	-	-
Balance at 30 June 2015	1,680	264

41. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, or state of affairs of the Society in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Ford Co-operative Credit Society Limited, we state that:
In the opinion of the Directors:

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

On behalf of the Board



T J Boyd
Director



S D Randall
Director

Geelong, 24 September 2015



Independent Auditor's Report to the Members of Ford Co-Operative Credit Society Limited

Report on the financial report

We have audited the accompanying financial report of Ford Co-Operative Credit Society Limited, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, the statement of changes in **members'** equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory notes and the **directors' declaration**.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on **the auditor's judgment, including the assessment** of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the **company's** preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for **the purpose of expressing an opinion on the effectiveness of the entity's internal 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT (cont...)



Independence

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

Auditor's opinion

In our opinion:

- a) the financial report of Ford Co-Operative Credit Society Limited is in accordance with the *Corporations Act 2001*, including:
 - I. giving a true and fair view of the entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - II. complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

A handwritten signature in blue ink that reads "Crowe Horwath Melbourne".

CROWE HORWATH MELBOURNE

A handwritten signature in blue ink that reads "David Munday".

David Munday

Partner

Melbourne

24 September 2015

OUR VISION & MISSION

Vision: To be the primary institution meeting the personal financial services needs of our members.

Mission: Provide financial products and services that return value to members, workplaces and the local community.



THANK YOU

The Board would like to thank you, our members, for your support and loyalty and look forward to ensuring you receive the best service, competitive rates and innovative products.