

GOLDFIELDS CREDIT UNION LIMITED
ACN 087 651 849
Financial Report
For the year ended 30 June 2011

C O N T E N T S

Directors' Report
Independent Auditor's Report
Directors' Declaration
Statement of Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Statement of Cash Flows
Notes to the Financial Report
Auditor's Independence Declaration

GOLDFIELDS CREDIT UNION LIMITED

DIRECTOR'S REPORT

Your Directors present their report on the financial report and operations of Goldfields Credit Union Ltd (the "Credit Union") for the year ended 30 June 2011.

DIRECTORS

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

Allan Edward Pental

Mr. Pental was elected the Chairman of the Board in October 2005 after serving as a Director since December 2003 and is 57 years old. Following 22 years experience in banking and 6 years experience as chief financial officer of a public company, Mr. Pental became a partner in a local real estate business and a State Councilor of the Real Estate Institute of WA.

He is currently a Director of Healthguard Health Benefits Fund Ltd and is also Deputy Mayor with the City of Kalgoorlie Boulder. Mr. Pental is a member of the Credit Committee.

Ashton Lewis George

Mr George was appointed a Director in October 1998 and is a member of the Audit and Risk Management Committee since its inception. He is 45 years old and is an Associate of the National Insurance Brokers Association and holds a Diploma of Financial Services {Insurance Broking}. He has over 25 years of Insurance and Risk Management experience and is the Regional Director and partner in a Regional Office for an Insurance Broking firm. Mr. George is Deputy Chairman of the Board and is the current Chairman of the Audit and Risk Management Committee.

William Thomas McKenzie

Mr McKenzie is 57 years old and has served as a Director since October 1994.

He was Chairman of the Board of Directors from April 2003 to October 2005.

He practices Law in partnership with his wife in their law firm. He is the current Chairman of the Credit Committee.

Leigh Stanley Junk

Mr Junk was appointed a Director in March 2004 and is 38 years old. He is a Mining Engineer with Engineering and Economics qualifications and is Director of several mining companies in Australia and Canada. Mr. Junk is also a member of the Credit Committee.

Gregory Coyle

Mr Coyle was seconded to the Board in October 2006 and was elected to the Board at the 2007 AGM. He is 54 years old and is a local Chartered Accountant with over 20 years of public practice.

Mr Coyle is a member of the Audit and Risk Management Committee.

Lisa Michelle Ellery (Resigned 17 November 2010)

Mrs Ellery was seconded to the Board in August 2007 and was elected to the Board in at the 2008 AGM. She is 34 years old and is a lawyer with ten years' experience in general practice, currently practicing law in her own law firm, Ellery Brookman. She is currently a member of the Audit and Risk Management Committee.

GOLDFIELDS CREDIT UNION LIMITED

DIRECTOR'S REPORT

MEETINGS OF DIRECTORS

The number of Board and Committee meetings held during the financial year, and attendance by each Director are as follows:

	<u>Board</u>		<u>Audit and Risk Management Committee</u>		<u>Credit Committee</u>	
	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>	<u>Eligible</u>	<u>Attended</u>
A Pandal	15	13	-	-	25	20
A George	15	15	4	4	2	2
						(Seconded)
G Coyle	15	12	4	4	-	-
L Junk	15	13	-	-	25	20
W McKenzie	15	15	-	-	25	25
L Ellery	5	5	4	2	-	-

PRINCIPAL ACTIVITY

The principal activities of the Credit Union were the provision of financial and related services to Members. There was no significant change in these activities throughout the year.

OPERATING RESULTS

The profit of the Credit Union for the financial year after provision for income tax was \$348,167 (2010: \$396,998). The results of the Credit Union's operations during the financial year were impacted by the costs relating to the proposed demutualisation and equity raising. The impact of these costs on the Credit Union's profit and equity is detailed below:

Net Profit After Tax	\$348,167
Add / (Subtract) significant items:	
Demutualisation costs (net of tax)	\$265,931
Tax benefit of costs recognised directly in equity	<u>(\$43,962)</u>
Net Profit after Tax before demutualisation and equity raising costs	\$570,136
Members' Funds	\$5,751,379
Add impact of demutualisation and equity raising costs:	
Demutualisation costs (net of tax)	\$265,931
Tax benefit of costs recognised directly in equity	<u>(\$43,962)</u>
Costs charged directly to members' funds	<u>\$301,482</u>
Members' Funds before demutualisation and equity raising costs	\$6,274,830

DIVIDENDS

The Directors do not recommend the payment of a dividend and no dividends have been paid or declared during the financial year.

REVIEW OF OPERATIONS

During the year the Credit Union continued to deliver banking and other related financial services, as well as aiming to increase the Credit Union's market share and profitability.

GOLDFIELDS CREDIT UNION LIMITED

DIRECTOR'S REPORT

CHANGES IN THE STATE OF AFFAIRS

During the financial year GCU's Board came to the view that it would be in the best interests of the Members for the Credit Union to be demutualised and the resulting new entity listed on the Australian Securities Exchange to enable, amongst other things, additional capital to be raised for the purpose of growing the business as an Authorised Deposit taking Institution. The demutualisation process has been pursued by the Board and has required extensive interaction with government regulators, consultants, advisers and potential investors. There has been considerable cost involved in this process.

Except for the above matter, in the opinion of the Directors, there were no significant changes in the state of affairs of the Credit Union that occurred during the financial period under review, not otherwise disclosed in these financial statements.

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No other matters or circumstances of a material nature have arisen since the end of the financial year which in the opinion of the Directors significantly affected or may significantly affect the operations of the Credit Union, the results of the operations or the state of affairs of the Credit Union in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

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

- (i) The operations of the Credit Union;
- (ii) The results of those operations; or
- (iii) The state of affairs of the Credit Union

in the financial years subsequent to this financial year.

ENVIRONMENTAL REGULATIONS

The Credit Union's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

RISK MANAGEMENT POLICIES

The Australian Prudential Regulatory Authority through its Prudential Standards requires Directors to have in place appropriate risk management policies covering significant identifiable risks. These include policies and procedures for credit, liquidity, operations, data, and market risks. Risk management policies are reviewed annually and are subject to audit.

AUDITORS INDEPENDENCE DECLARATION

Our auditor, RSM Bird Cameron Partners, has provided the Board of Directors with an independence declaration in accordance with section 307C of the Corporations Act 2001. The independence declaration is included within the financial statements.

Signed in accordance with a Resolution of Directors


A E PENDAL - Chairman

Dated at Kalgoorlie this 11th day of August 2011

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GOLDFIELDS CREDIT UNION LIMITED

We have audited the accompanying financial report of Goldfields Credit Union Limited (the Credit Union), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

RSM Bird Cameron Partners

Chartered Accountants

Independence

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

Opinion

In our opinion:

- (a) the financial report of the Credit Union is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the Credit Union's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

SC Cubitt
S C CUBITT
Partner

Perth, WA

Dated: *15 August 2011*

GOLDFIELDS CREDIT UNION LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements and notes, are in accordance with the *Corporations Act 2001* and:
 - a. comply with Accounting Standards, which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
 - b. give a true and fair view of the financial position as at 30 June 2011 and of the performance for the year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.


A E PENDAL - Chairman

Dated at Kalgoorlie this 15th day of August 2011

GOLDFIELDS CREDIT UNION LIMITED
STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
Interest revenue	2	3,392,829	2,614,231
Interest expense	2	<u>(1,503,804)</u>	<u>(1,006,621)</u>
Net interest revenue	2	1,889,025	1,607,610
Non-interest revenue	2	547,435	524,319
Impairment losses on loans and advances	2	(25,259)	(10,960)
Other expenses	3	<u>(1,979,636)</u>	<u>(1,562,909)</u>
Profit before income tax		431,565	558,060
Income tax expense	4	<u>(83,398)</u>	<u>(161,062)</u>
Profit for the year		348,167	396,998
Other comprehensive income			
Increase in asset revaluation reserve		<u>934</u>	<u>934</u>
Total comprehensive income		<u>349,101</u>	<u>397,932</u>

The accompanying notes form part of these financial statements

GOLDFIELDS CREDIT UNION LIMITED

STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Note	2011	2010
		\$	\$
ASSETS			
Cash and cash equivalents	5	4,594,362	741,376
Due from other financial institutions	6	7,942,773	4,953,887
Loans and advances to members	7	44,372,923	38,834,319
Other assets	9	20,806	17,104
Other financial assets	10	141,969	141,969
Property, plant and equipment	11	653,044	682,644
Intangible assets	12	193,066	199,207
Deferred tax assets	13	252,271	68,412
TOTAL ASSETS		58,171,214	45,638,918
LIABILITIES			
Deposits from members	14	51,322,147	39,282,826
Creditors and other payables	15	796,855	380,589
Current tax liabilities	13	84,522	67,248
Provisions	16	153,046	143,058
Deferred tax liabilities	13	63,265	62,477
TOTAL LIABILITIES		52,419,834	39,936,198
NET ASSETS		5,751,379	5,702,720
MEMBERS' FUNDS			
Members' shares	17	10,700	9,660
Equity raising costs	17	(301,482)	-
Property, plant and equipment revaluation reserve		152,583	151,649
General reserve for credit losses		113,726	93,113
General reserves		5,775,852	5,448,298
		5,751,379	5,702,720

The accompanying notes form part of these financial statements

GOLDFIELDS CREDIT UNION LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Members Shares	Equity Raising Costs	Property, Plant and Equipment Revaluation Reserve	Retained Profits	General Reserve for Credit Losses	General Reserve	Total Members Funds
	\$	\$	\$	\$	\$	\$	\$
As at 30 June 2009	9,640	-	150,715	-	84,110	5,060,303	5,304,768
Total comprehensive income for the year	-	-	934	396,998	-	-	397,932
Comprehensive income transferred to general reserve	-	-	-	(396,998)	-	396,998	-
Transfer from/to general reserve/general reserve for credit losses	-	-	-	-	9,003	(9,003)	-
Net return of members equity	20	-	-	-	-	-	20
As at 30 June 2010	9,660	-	151,649	-	93,113	5,448,298	5,702,720
Total comprehensive income for the year	-	-	934	348,167	-	-	349,101
Comprehensive income transferred to general reserve	-	-	-	(348,167)	-	348,167	-
Contributions of equity net of transaction costs	-	(301,482)	-	-	-	-	(301,482)
Transfer from/to general reserve/general reserve for credit losses	-	-	-	-	20,613	(20,613)	-
Net issue of members equity	1,040	-	-	-	-	-	1,040
As at 30 June 2011	10,700	(301,482)	152,583	-	113,726	5,775,852	5,751,379

The accompanying notes form part of these financial statements

GOLDFIELDS CREDIT UNION LIMITED

STATEMENT OF CASH FLOWS

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		3,398,453	2,608,060
Fees and commissions received		492,870	467,944
Dividends received		24,251	17,745
Other income		30,311	30,623
Interest and other costs of finance costs paid		(1,478,620)	(1,038,348)
Payments to suppliers and employees		(1,525,758)	(1,483,663)
Income tax paid		(186,383)	(118,403)
Net cash provided by operating activities	26(c)	755,124	483,958
CASH FLOWS FROM INVESTING ACTIVITIES			
Net increase in loans, advances and other receivables		(5,563,863)	(4,023,817)
Proceeds from sale of property, plant and equipment		-	21,585
Payments for property, plant and equipment		(7,724)	(57,842)
Payments for intangible assets		(18,669)	(44,098)
Net cash (used in) investing activities		(5,590,256)	(4,104,172)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits and other borrowings		12,039,323	3,752,235
Equity raising costs		(363,359)	-
Repayment of borrowings		-	(400,000)
Net increase in member shares		1,040	20
Net cash provided by financing activities		11,677,004	3,352,255
Net increase/(decrease) in cash held		6,841,872	(267,959)
Cash and cash equivalents at beginning of the financial year		5,695,263	5,963,222
Cash and cash equivalents at the end of the financial year	26(a)	12,537,135	5,695,263

The accompanying notes form part of these financial statements

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. SUMMARY OF ACCOUNTING POLICIES

Goldfields Credit Union Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial statements were authorised for issue by the directors on August 2011.

Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated. Cost is based on the fair values of the consideration given in exchange for assets.

The report is presented in Australian dollars.

Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied unless otherwise stated.

(a) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the statement of comprehensive income and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(a) Property, Plant and Equipment (Cont.)

Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>	<i>Method of Depreciation</i>
Buildings	2.5%	Prime Cost
Office plant and equipment	15-33%	Prime Cost
Motor vehicles	22.5%	Prime Cost
Computer equipment and programs	20-33%	Prime Cost

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(b) Income tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(c) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Credit Union to the employee superannuation funds and are charged as expenses when incurred.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(d) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 12 months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(e) Cash flows on net basis

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

- Member deposits and withdrawals from savings and investment accounts;
- Payment for and sale proceeds of investment securities; and
- Loan advances and repayments.

(f) Loans and advances to members

All loans are initially recognised at fair value, net of transaction costs incurred and inclusive of loan origination fees. Loans 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 using the effective interest method.

Loans to members are reported at their recoverable amount representing the aggregate amount of principal and unpaid interest owing to the Credit Union at the reporting date, less any allowance or provision for impairment.

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.
- Restructured loans - arise when the borrower is granted a concession due to continuing difficulties in meeting the original terms. Loans with revised terms are included in non-accrual loans when impairment provisions are required.
- Past-due loans - are loans where payments of principal and/or interest are at least 90 days in arrears but due to mortgage security available full recovery of both principal and interest is expected.

(g) Impairment of financial assets

Specific provision

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

Collective provision

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

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(g) Impairment of financial assets (cont.)

The amount of impairment loss is based upon estimated losses incurred within the portfolio, based upon objective evidence of impairment, the estimated probability of default and the expected loss given default having regard to the historical experience of the credit union. The provision increase or decrease is recognised in the statement of comprehensive income.

General reserve for credit losses

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 reserve is based on estimation of potential risk in the loan portfolio based upon: the level of security taken as collateral.

The Credit Union will maintain a reserve for credit losses of at least 0.5%, of total risk weighted assets (as defined in the APRA Prudential Standard APS 112)

(h) Impairment of property, plant and equipment

At each reporting date, the Credit Union reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Bad debts written off

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.

(j) Deposits from members

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

Interest on savings deposit balances is calculated and accrued on a daily basis at current rates and credited to Members' accounts on a monthly basis.

Interest on term deposits is calculated and accrued on a daily basis at agreed rates and is paid or credited to Members in accordance with the terms of the deposit.

(k) 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.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(l) Payables

Trade payables and other accounts payable are recognised when the Credit Union becomes obliged to make future payments resulting from the purchase of goods and services.

Trade payables are normally settled on 7 day terms.

(m) Recognition of revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The principal sources of revenue are interest income, fees and commissions.

Interest revenue

Interest revenue is recognised on a proportional basis taking into account the interest rate applicable to financial assets.

Fees and commissions

Fees and commissions are recognised upon the rendering of the service to the customers.

(n) Financial instruments

The Credit Union utilises a range of financial instruments. Financial instruments are classified and measured as follows:

Loans and advances

This category includes non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are measured at amortised cost, refer Note 1(f) Loans to members for further details.

Held to maturity investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed maturity that the Credit Union has a positive intention and ability to hold to maturity. They are measured at amortised cost.

Available for sale assets

This category includes investments in equity instruments. Available-for-sale financial assets are recognised on acquisition at cost on a trade date basis and thereafter at fair value. Changes in the fair value of available-for-sale assets are reported in the revaluation reserve net of applicable income taxes until the investments are sold, collected or otherwise disposed of, or until such investments are impaired. On disposal the accumulated change in fair value is transferred to the statement of comprehensive income.

Other financial liabilities

These liabilities are measured at amortised cost.

Investments in shares which do not have a quoted market price in an active market and are not capable of being reliably valued are measured at cost less any provision for impairment.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(o) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. 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 in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) Intangibles

Computer Software

Costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to computer software. Costs capitalised include external direct costs of materials, service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

(q) Contingent liabilities and commitments

Transactions are classified as contingent liabilities where the company's obligations depend on uncertain future events and principally consist of obligations to third parties.

Items are classified as commitments where the company has irrevocably committed itself to future transactions. These transactions will either result in the recognition of an asset or liability in future periods.

(r) Comparative information

Where necessary, comparative figures have been adjusted to conform with changes in presentation in these financial statements.

(s) Critical accounting estimates and judgements

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates – Impairment Losses on Loans and Advances

Impairment loss calculations involve the estimation of future cash flows of loans and advances based on observable data at the reporting date and historical loss experience for assets with similar credit risk characteristics. These calculations are undertaken on a collective basis other than in respect of significant balances, which are assessed specifically. In applying the collective basis the Credit Union makes use of various statistical modelling techniques which are specific to different portfolio types. In calculating specific impairment provisions the Credit Union takes account of a number of relevant considerations including historical experience, future prospects of the customer, value of collateral held and reliability of information.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(t) Adoption of New and Revised Accounting Standards

During the current year, the Company has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these Standards has not impacted the recognition, measurement and disclosure the company's transactions.

(u) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Company has decided not to early adopt. A discussion of those future requirements and their impact on the Company is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The Company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing 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. 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;
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(u) New Accounting Standards for Application in Future Periods (cont.)

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard clarifies the definition of a “related party” to remove inconsistencies and simplify the structure of the Standard. No changes are expected to materially affect the Company.

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The amendments are not expected to impact the Company.

- AASB 2010–4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB’s annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity’s first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity’s exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the Company.

- AASB 2010–5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(u) New Accounting Standards for Application in Future Periods (cont.)

- AASB 2010–6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards, and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the Company.

- AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the Company has not yet determined any potential impact on the financial statements from adopting AASB 9.

- AASB 2010–8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the Company.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

2. STATEMENT OF COMPREHENSIVE INCOME

(a) Net interest income

	Average balance \$	Interest \$	Average Rate %
2011			
Cash at bank and deposits on call	8,456,436	367,204	4.34%
Loans and advances	40,635,999	3,025,625	7.45%
Interest income	<u>49,092,435</u>	<u>3,392,829</u>	<u>6.91%</u>
Deposits	<u>43,876,906</u>	<u>1,503,804</u>	<u>3.43%</u>
Interest expense	<u>43,876,906</u>	<u>1,503,804</u>	<u>3.43%</u>
Net interest income		<u>1,889,025</u>	<u>3.48%</u>
2010			
Cash at bank and deposits on call	6,765,923	248,409	3.67%
Loans and advances	36,560,165	2,365,822	6.47%
Interest income	<u>43,326,088</u>	<u>2,614,231</u>	<u>6.04%</u>
Deposits	38,623,039	1,004,811	2.60%
Subordinated loan	33,333	1,810	5.43%
Interest expense	<u>38,656,372</u>	<u>1,006,621</u>	<u>2.60%</u>
Net interest income		<u>1,607,610</u>	<u>3.43%</u>

(b) Non-interest revenue

	2011 \$	2010 \$
Other operating income		
Lending fees	142,401	108,380
Commissions and other fees	350,469	359,564
Dividends received	24,251	17,745
Insurance income	133	(46)
Bad debts recovered	21,400	24,468
Gain on disposal of financial assets	-	8,006
Other	8,781	6,202
	<u>547,435</u>	<u>524,319</u>

(c) Impairment losses on loans and advances

Impairment expense	<u>25,259</u>	<u>10,960</u>
--------------------	---------------	---------------

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
3. PROFIT BEFORE INCOME TAX		
Profit before income tax has been determined after:		
Interest expense	<u>1,503,804</u>	<u>1,006,621</u>
Other expenses		
Staff related costs		
Salaries and wages	503,702	473,659
Superannuation	43,931	42,549
Other	21,037	42,192
Depreciation	37,325	28,843
Amortisation	24,810	24,810
Administrative expenses		
Advertising and promotions	51,287	63,017
Directors' fees	47,742	52,320
Demutualisation costs	379,902	-
Computer system and software costs	117,645	112,954
Communication and website costs	86,112	92,436
Insurance costs	44,197	43,966
Consulting costs	92,902	88,250
Products and services delivery costs	344,457	314,946
General administrative costs	<u>184,587</u>	<u>182,967</u>
Total other expenses	<u>1,979,636</u>	<u>1,562,909</u>
4. INCOME TAX		
(a) The components of tax expense comprise		
Current tax	207,172	(15,949)
Deferred tax	(120,260)	177,011
Adjustment of current tax in prior years	<u>(3,514)</u>	<u>-</u>
	<u>83,398</u>	<u>161,062</u>
The prima facie income tax payable on the operating profit is reconciled as follows:		
(b) Profit before tax	431,565	558,060
Prima facie income tax expense on profit before income tax at 30%	129,469	167,418
Adjustment of current tax in prior years	(3,514)	-
Tax effect of:		
Rebateable fully franked dividends	-	(7,605)
Equity raising costs	(43,962)	-
Other non-allowable items	<u>1,405</u>	<u>1,249</u>
	<u>83,398</u>	<u>161,062</u>

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
5. CASH		
Cash on hand	311,156	306,633
Cash at bank	4,283,206	434,743
	4,594,362	741,376
 6. DEPOSITS AT CALL		
Deposits with Authorised Deposit-taking Institutions	7,942,773	4,953,887
Maturity analysis		
- Not longer than 3 months	7,942,773	4,953,887
 7. LOANS AND ADVANCES		
Overdrafts	839,316	845,514
Term loans	43,581,429	38,011,891
	44,420,745	38,857,405
Provision for impairment	(47,822)	(23,086)
	44,372,923	38,834,319
Maturity analysis – gross loans and advances		
- Overdrafts	839,316	845,514
- Not longer than 3 months	3,097	395,072
- Longer than 3 and not longer than 12 months	413,176	735,457
- Longer than 1 and not longer than 5 years	4,116,430	3,921,293
- Longer than 5 years	39,048,726	32,960,069
	44,420,745	38,857,405

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
8. PROVISION FOR IMPAIRED LOANS		
The policy relating to the recognition of impaired assets is set out in Note 1(g).		
(a) Total provision comprises		
Specific provisions	22,938	5,528
Collective provisions	24,884	17,558
	47,822	23,086
(b) Specific provision for impairment		
Opening balance	5,528	2,709
Bad and doubtful debts provided for during the year	16,886	2,819
Unused amounts reversed	-	-
Bad debts written off during the year	524	-
Closing balance	22,938	5,528
(c) Collective provision for impairment		
Opening balance	17,558	10,238
Bad and doubtful debts provided for during the year	7,326	7,320
Unused amounts reversed	-	-
Bad debts written off during the year	-	-
Closing balance	24,884	17,558
(d) Net charge/(credit) to statement of comprehensive income for bad and doubtful debts comprises of:		
Specific provision	25,259	10,960
Bad debts recovered	(21,400)	(24,468)
	3,859	(13,508)
(e) Grading of credit risk loans		
Non accrual loans	388,982	296,241
Provision for impairment	(47,822)	(17,119)
	341,160	279,122
Restructured loans	464,468	35,203
Provision for impairment	-	-
	464,468	35,203

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
9. OTHER ASSETS		
Accrued interest receivable	11,480	10,976
Other debtor	9,326	6,128
	20,806	17,104

Other assets are non-interest bearing and represent receivables with various maturities.

10. OTHER FINANCIAL ASSETS

Shares in unlisted corporations	141,969	141,969
---------------------------------	---------	---------

The shares in unlisted corporations are held in Credit Union Services Corporation (Australia) Ltd ("CUSCAL") to support the Credit Union's involvement in the Credit Union movement's central banking and business services facility.

The shareholding is measured at cost which is equivalent to its fair value. These shares are held to enable the Credit Union to receive essential banking services outlined in Note 21.

The Credit Union is not intending, nor is it able to dispose of these shares as the services supplied by CUSCAL relate to the day to day activities of the Credit Union. The shares are not able to be traded and are not redeemable.

11. PROPERTY, PLANT AND EQUIPMENT

Land – Independent valuation (2007)	248,500	248,500
Buildings		
Independent valuation (2007)		
Cost	386,500	386,500
Accumulated depreciation	(33,378)	(23,190)
	353,122	363,310
Office plant and equipment		
Cost	157,423	155,049
Accumulated depreciation	(144,996)	(138,623)
	12,427	16,426
Motor vehicles		
Cost	34,723	34,723
Accumulated depreciation	(14,298)	(6,486)
	20,425	28,237

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
11. PROPERTY, PLANT AND EQUIPMENT (Cont.)		
Computer equipment		
Cost	204,657	201,538
Accumulated depreciation	(186,087)	(175,367)
	18,570	26,171
Total property, plant and equipment	653,044	682,644

The Credit Union's land and buildings were revalued on 10 July 2007 by an independent licensed valuer. The valuation was made on the basis of open market value. The revaluation surplus net of applicable deferred income taxes was credited to an asset revaluation reserve in shareholders' equity.

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

	Land	Buildings	Office plant and equipment	Motor vehicle	Computer equipment	Total
	\$	\$	\$	\$	\$	\$
2011						
Balance at beginning of the year	248,500	363,310	16,297	28,375	26,162	682,644
Additions	-	-	2,376	-	5,349	7,725
Disposals	-	-	-	-	-	-
Transfers	-	-	-	-	-	-
Depreciation	-	(10,189)	(6,245)	(7,950)	(12,941)	(37,325)
Balance at end of the year	248,500	353,121	12,428	20,425	18,570	653,044
2010						
Balance at beginning of the year	248,500	371,042	15,237	15,183	17,262	667,224
Additions	-	-	6,565	34,723	16,554	57,842
Disposals	-	-	-	(13,579)	-	(13,579)
Transfers	-	-	-	-	-	-
Depreciation	-	(7,732)	(5,376)	(8,090)	(7,645)	(28,843)
Balance at end of the year	248,500	363,310	16,426	28,237	26,171	682,644

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
12. INTANGIBLE ASSETS		
Computer software		
Cost	260,053	239,153
Accumulated amortisation	<u>(66,987)</u>	<u>(39,946)</u>
	193,066	199,207
	<u>193,066</u>	<u>199,207</u>
Movements		
Balance at beginning of the year	199,207	179,919
Additions	18,669	44,098
Disposals	-	-
Amortisation	<u>(24,810)</u>	<u>(24,810)</u>
Balance at end of the year	<u>193,066</u>	<u>199,207</u>
	<u>193,066</u>	<u>199,207</u>
Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the statement of comprehensive income.		
13. DEFERRED TAX		
(a) Assets		
Deferred tax assets comprise:		
Provision for doubtful debts	14,347	6,926
Accrued expenses	15,312	17,853
Provisions	46,764	43,633
Demutualisation and equity raising costs	<u>175,848</u>	<u>-</u>
	<u>252,271</u>	<u>68,412</u>
Movements		
Balance at beginning of the year	68,412	56,644
Credited to profit or loss	121,982	11,768
Credited directly to equity	<u>61,877</u>	<u>-</u>
Balance at the end of the year	<u>252,271</u>	<u>68,412</u>
	<u>252,271</u>	<u>68,412</u>

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
(b) Liabilities		
Current tax liability	84,522	67,248
Deferred tax liabilities comprise:		
Property, plant and equipment	63,265	62,477
Movements		
Balance at beginning of the year	62,477	67,592
Credited to profit or loss	(934)	(4,181)
Credited directly to equity	1,722	(934)
Balance at the end of the year	63,265	62,477
 14. DEPOSITS		
Call deposits	25,850,159	17,977,753
Term deposits	25,471,988	21,305,073
	51,322,147	39,282,826
Maturity analysis		
- On call	25,850,159	17,977,753
- Not longer than 3 months	3,475,217	12,561,430
- Longer than 3 months and not longer than 12 months	21,954,771	8,738,375
- Longer than 1 and not longer than 5 years	42,000	5,268
	51,322,147	39,282,826
<p>There is no deposit exposure to any individual or group of associated members which represents 10% or more of the Credit Union's total liabilities. The Credit Union has maintained a policy of concentrating its membership and business efforts within its bond area, being the Eastern Goldfields and Esperance region of Western Australia. Consequently the majority of the deposits held by the Credit Union are in respect of its membership residing within this region.</p>		
 15. CREDITORS AND OTHER PAYABLES		
Accrued interest payable	405,772	262,530
Payables and accrued expenses	391,083	118,059
	796,855	380,589

Payables are non-interest bearing and are normally settled on 30 day terms.
Due to the short term nature of these payables, their carrying value is approximate their fair value.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

		2011	2010
		\$	\$
16.	PROVISIONS		
	Employee entitlements		
	Current	123,457	124,463
	Non-current	29,589	18,595
		153,046	143,058
17.	MEMBERS' SHARES		
	2,675 (2010 : 2,415) issued and fully paid-up shares	10,700	9,660
	EQUITY RAISING COSTS		
	Transaction costs	743,261	-
	Demutualisation costs recognised in the income statement	(379,902)	-
	Deferred tax recognised directly in equity	(61,877)	-
		301,482	-

During the financial year GCU's Board came to the view that it would be in the best interests of the Members for the Credit Union to be demutualised and the resulting new entity listed on the Australian Securities Exchange (ASX) to enable, amongst other things, additional capital to be raised for the purpose of growing the business as an Authorised Deposit taking Institution. The demutualisation process has been pursued by the Board and has required extensive interaction with government regulators, consultants, advisers and potential investors. There has been considerable cost involved in this process.

Transaction costs include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Transaction costs that are associated with the listing of equity already on issue is not be set off against equity, and recognised as an expense.

Should the equity transaction be abandoned any remaining costs will be transferred to the income statement and recognised as an expense.

18. **RESERVES**

(a) Financial Assets Reserve

The financial assets reserve records revaluation of financial assets.

(b) Property, Plant and Equipment Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

18. RESERVES (Cont.)

(c) General Reserve for Credit Losses

The General Reserve for Credit Losses is established for the purpose of recognising in the accounts a provision for credit losses required for regulatory purposes. Transfers to this reserve are by way of appropriations out of profit after tax. The policy relating to the determination of general reserve for credit losses is set out in Note 1(g).

(d) General Reserves

The general reserve records funds set aside for future expansion of the Credit Union.

19. STANDBY BORROWING FACILITIES

The Credit Union has an overdraft facility of \$1,200,000 (2010: \$1,200,000) with CUSCAL which is secured by a floating charge over its assets. As at 30 June 2011, the entire facility was unused.

20. SUPERANNUATION COMMITMENTS

The Credit Union has established superannuation plans under which employees are entitled to benefits on retirement, disability or death. Superannuation was paid at the rate of 9% for all staff and Directors in respect of requirements under the Superannuation Guarantee (Administration) Act 1992 which are legally enforceable.

The superannuation plan operative as at 30 June 2011 is the Credit Union Employees Superannuation Fund.

The plan is an accumulation fund and the funds are sufficient to satisfy all benefits that would have vested under the plan in the event of its termination or in the event of the voluntary or compulsory termination of employment of each employee.

21. SERVICE CONTRACTS

The Credit Union has service contracts with and is economically dependent upon the following suppliers:

(a) Credit Union Services Corporation Australia Ltd (CUSCAL)

CUSCAL provides central banking services, member chequing services, card services, settlement services, and maintains the applications software used by the Credit Union.

(b) First Data Resources

This company operates the switching computer used to link Redicards operated through Reditellers, and other approved electronic funds transfer suppliers, to the Credit Union's computer system.

(c) The System Works

This company, an Integrated Data Processing Centre, provided and maintained the computer mainframe hardware utilised by the Credit Union.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
22. AUDITOR'S REMUNERATION		
Remuneration of the auditor of the Credit Union:		
- Audit services	45,500	40,000
- Non-audit services	44,300	4,050
	<hr/>	<hr/>
	89,800	44,050
	<hr/>	<hr/>

23. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matters or circumstances of a material nature have arisen since the end of the financial year which in the opinion of the Directors significantly affected or may significantly affect the operations of the Credit Union, the results of the operations or the state of affairs of the Credit Union in future financial years.

24. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital expenditure commitments

There were no capital expenditure commitments at the reporting date.

(b) Contingent liabilities

The Credit Union is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme, which all Credit Unions who are affiliated with Credit Union Services Corporation (Australia) Limited (CUSCAL) have agreed to participate in.

CUFSS is a company limited by guarantee, with each Credit Union's guarantee being \$100.

As a member of CUFSS, the Credit Union may be required to:

- Advance funds of up to 3% (excluding permanent loans) of total assets to another Credit Union requiring financial support;
- Advance permanent loans of up to 0.2% of total assets per financial year to another Credit Union requiring financial support; and
- Agree, in conjunction with other members, to fund the operating costs of CUFSS.

It is the policy of the Credit Union to maintain sufficient liquid investments with CUSCAL to ensure that, if required, the credit union has the necessary funds available to meet its obligations in terms of the scheme.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
24. COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)		
(b) Contingent liabilities (Cont.)		
CUFSS facility exposure	<u>1,859,951</u>	<u>1,459,629</u>
(c) Outstanding loan commitments		
Loans approved but not advanced	631,373	1,037,621
Loan funds available for redraw	<u>2,858,188</u>	<u>2,649,724</u>
	<u>3,489,561</u>	<u>3,687,345</u>
<p>The loans will made available at the discretion of Management and the Board subject to the availability of funds, anticipated to be drawn down within 12 months.</p>		
(d) Outstanding overdraft commitments		
Member overdraft facilities approved but not disbursed	<u>526,848</u>	<u>526,761</u>
<p>There are no restrictions as to the utilisation of such overdraft facilities.</p>		
(e) Lease commitments		
<p>There were no lease commitments at the reporting date.</p>		

25. SEGMENT INFORMATION

The Credit Union operates predominantly in Western Australia and in the one industry of providing financial and related credit union services to its members.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
26. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand and at bank (Note 5)	4,594,362	741,376
Due from other financial institution (Note 6)	7,942,773	4,953,887
	12,537,135	5,695,263
(b) Cash flows presented on a net basis		
Cash flows arising from the following activities are presented on a net basis in the cash flow statement:		
(i) member deposits in and withdrawals from savings and other deposit accounts;		
(ii) member loans made and repayments by members;		
(iii) sales and purchases of maturing certificates of deposit; and		
(iv) short-term borrowings.		
(c) Reconciliation of net cash provided by operating activities to operating profit after income tax		
Operating profit after income tax	348,167	396,998
<i>Non-cash items</i>		
Amortisation	24,810	24,810
Depreciation	37,325	28,844
(Gain)/loss on disposal of fixed assets	-	(8,006)
Impairment of receivables	25,259	10,960
<i>Movement in assets and liabilities</i>		
Other assets	(3,703)	53,490
Deferred tax assets	(184,459)	(11,768)
Current tax payable	17,274	58,607
Payables	64,199	(66,484)
Deferred tax liabilities	416,265	(4,181)
Provisions	9,987	688
	755,124	483,958

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

27. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities have conditions that allow interest rates to be amended either on maturity (term deposits and term investments) or after adequate notice is given (loans and savings). The table below shows the respective value of funds where interest rates are capable of being altered within the prescribed time bands, being the earlier of the contractual re-pricing date, or maturity date.

2011	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed interest rate		Non-interest bearing	Total carrying amount per the statement of financial position
			1 year or less	1 to 5 years		
			<i>FINANCIAL ASSETS</i>			
Cash and liquid assets	0.50%	4,283,206	-	-	311,156	4,594,362
Due from other financial institutions	5.11%	-	7,942,773	-	-	7,942,773
Loans, advances to members	7.61%	44,372,923	-	-	-	44,372,923
Other assets	-	-	-	-	20,806	20,806
Other investments	-	-	-	-	141,969	141,969
Cash and liquid assets	-	-	-	-	252,271	252,271
Total financial assets		48,656,129	7,942,773	-	726,202	57,325,104
<i>FINANCIAL LIABILITIES</i>						
Deposits from members	3.80%	25,850,159	25,429,988	42,000	-	51,322,147
Creditors and other payables	-	-	-	-	796,855	796,855
Current tax liabilities	-	-	-	-	84,522	84,522
Provisions	-	-	-	-	153,045	153,045
Deferred tax liabilities	-	-	-	-	63,265	63,265
Total financial liabilities		25,850,159	25,429,988	42,000	1,097,687	52,419,834
Net financial assets/(liabilities)		22,805,970	(17,487,215)	(42,000)	(371,485)	4,905,270
<i>2010</i>						
2010	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed interest rate		Non-interest bearing	Total carrying amount per the statement of financial position
			1 year or less	1 to 5 years		
			<i>FINANCIAL ASSETS</i>			
Cash and liquid assets	0.50%	446,664	-	-	294,712	741,376
Due from other financial institutions	5.17%	-	4,953,887	-	-	4,953,887
Loans, advances to members	7.37%	38,834,319	-	-	-	38,834,319
Other assets	-	-	-	-	17,104	17,104
Other investments	-	-	-	-	141,969	141,969
Deferred tax assets	-	-	-	-	68,412	68,412
Total financial assets		39,280,983	4,953,887	-	522,197	44,757,067
<i>FINANCIAL LIABILITIES</i>						
Deposits from members	3.39%	17,977,753	21,299,805	5,268	-	39,282,826
Creditors and other payables	-	-	-	-	380,589	380,589
Current tax liabilities	-	-	-	-	67,248	67,248
Provisions	-	-	-	-	143,058	143,058
Deferred tax liabilities	-	-	-	-	62,477	62,477
Total financial liabilities		17,977,753	21,299,805	5,268	653,372	39,936,198
Net financial assets/(liabilities)		21,303,230	(16,345,918)	(5,268)	(131,175)	4,820,869

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value has been determined on the basis of the present value of expected future cash flows under the terms and conditions of each financial asset and financial liability. Significant assumptions used in determining the cash flows are that the cash flows will be consistent with the contracted cash flows under the respective contracts. The information is only relevant to circumstances at the reporting date and will vary depending on the contractual rates applied to each asset and liability, relative to market rates and conditions at the time. No assets held are regularly traded by the Credit Union, and there is no active market to assess the value of the financial assets and liabilities.

	Aggregate net fair value		Total carrying amount per the statement of financial position	
	<u>2011</u> \$	<u>2010</u> \$	<u>2011</u> \$	<u>2010</u> \$
FINANCIAL ASSETS				
Cash	4,594,362	741,376	4,594,362	741,376
Due from other financial institutions	7,942,773	4,953,887	7,942,773	4,953,887
Loans and advances to members	44,420,745	38,857,405	44,372,923	38,834,319
Other assets	20,806	17,104	20,806	17,104
Other investments	141,969	141,969	141,969	141,969
Deferred tax assets	252,271	68,412	252,271	68,412
Total financial assets	<u>57,372,926</u>	<u>44,780,153</u>	<u>57,325,104</u>	<u>44,757,067</u>
FINANCIAL LIABILITIES				
Deposits from members	51,322,147	39,282,826	51,322,147	39,282,826
Creditors and other payables	796,855	380,589	796,855	380,589
Current tax liabilities	84,522	67,248	84,522	67,248
Provisions	153,045	143,058	153,045	143,058
Deferred tax liabilities	63,265	62,477	63,265	62,477
Total financial liabilities	<u>52,419,834</u>	<u>39,936,198</u>	<u>52,419,834</u>	<u>39,936,198</u>

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

Recognised financial instruments

Cash and liquid assets and receivable from other financial institutions:

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

Loans and advances:

- The fair values of loans receivable are estimated using their carrying amounts.

Securities and investments:

- For financial instruments traded in organised financial markets, fair value is the current quoted market bid price for an asset or offer price for a liability, adjusted for transaction costs necessary to realise the asset or settle the liability. For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

28. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Cont.)

Other assets:

- Fair value of other assets is based on the carrying amount.

Short-term borrowings:

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

Payables due to other financial institutions:

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

Other financial liabilities:

- This includes interest payable, unrealised expenses payable and employee benefit payable for which the carrying amount is considered to be a reasonable estimate of net fair value. For liabilities which are long term, net fair values have been estimated using the rates currently offered for similar liabilities with remaining maturities.

29. FINANCIAL RISK MANAGEMENT

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

- market risk
- credit risk
- liquidity risk
- operational risk

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

Risk management framework

The Credit Union's activities expose it to a variety of risks: credit risk, interest rate risk, liquidity risk and operational risk being the most relevant to the Credit Union. This note presents information about the Credit Union's exposure to each of the above mentioned risks and the objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout this note and this financial report.

Risk management structure

Board of Directors

The Board of Directors is ultimately responsible for identifying and controlling risks. The prudential standards issued by the Australian Prudential Regulation Authority (APRA) addresses risk management requirements for credit unions and the Board focuses strongly on the need for compliance within the Credit Union.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

29. FINANCIAL RISK MANAGEMENT (Cont.)

Audit and Risk Management Committee

Risk management is overseen by an Audit and Risk Management Committee comprising directors of the Credit Union, the General Manager and other management under policies approved by the Board of Directors. It has responsibility for development of the risk strategy and implementation and managing and monitoring relevant risk decisions.

Management

Management monitors risk on a day to day basis, and manages Board approved programs that either reduce or transfer risk, where appropriate. Management provides to both the Board and the Audit and Risk Management Committee, risk reports that are distributed regularly to enable a detailed understanding of the current risk environment.

Internal Audit

Risk management processes in the Credit Union are audited regularly by the internal audit function, conducted by an external service provider which examines both the adequacy of the procedures and compliance with the procedures. The results of the work of the internal audit function, are tabled to management and to the Audit and Risk Management Committee.

Market risk – Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows, the fair value of financial instruments, or the net interest margin.

The major classes of financial assets and liabilities that are subject to interest rate variation are loans to members, cash with banks, short term investments and deposits from members.

The fundamental principles that the Credit Union applies to mitigate interest rate risk are:

- Maintaining a net interest margin that is adequate for the Board's short and longer – term objectives with respect to profitability and capital accumulation;
- Issuing of Board approved delegated limits, approval levels, policies and procedures, consistent with the prudential standards issued by APRA;
- Forecasting and scenario modelling of growth and interest rates;
- Monitoring current and future interest rate yields on its loans and savings portfolio and cash and investments and effect on profit and equity; and the interest rates on the major proportion of these assets and liabilities can be adjusted in the short-term to minimise any significant mismatch of interest margins;
- Monitoring market rates for loans and savings and amend the Credit Union's interest rates to remain competitive;
- Regular meetings to measure and monitor the impact of movements in interest rates.

Interest rate sensitivity

Taking into account past performance, future expectations, economic forecasts and management's knowledge and experience of the financial markets, the Credit Union believes the impact on profit or loss and the impact on equity in the following table are 'reasonably possible' over the next 12 months, if interest rates had changed by +/- 100 basis points from the year-end rates, with all other variables held constant.

Judgement of reasonably possible movements:	Post tax profit higher (lower)		Equity higher (lower)	
	2011	2010	2011	2010
100 basis points increase	36,937	20,664	36,937	20,664
100 basis points decrease	(21,946)	(19,101)	(21,946)	(19,101)

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

29. FINANCIAL RISK MANAGEMENT (Cont.)

Credit risk exposures

Credit risk is the risk that the Credit Union will incur a loss because its members or counterparties failed to discharge their contractual obligations. The major classes of financial assets that expose the Credit Union to credit risk are loans to members (including undrawn and unused credit commitments), cash with banks and other short term investments. The fundamental principles that the Credit Union applies to mitigate credit risk are:

- Issuing of Board approved delegated limits, approval levels, policies and procedures, consistent with the prudential standards issued by APRA;
- Maintaining a minimum of 50% of loans in well secured residential mortgages;
- Ensuring mortgage loans have a Loan to Valuation Ratio (LVR) that does not exceed 80%. For loans with an LVR in excess of 80%, mortgage insurance is required to limit the risk exposure;
- Ensuring credit is not advanced unless a borrower meets a defined approval criteria;
- Limits placed on the maximum exposure to individual counterparties or related groups of counterparties;
- Regular analysis of arrears and ability to meet contractual obligations;
- Ensuring that cash at banks and investments are limited to high credit quality financial institutions and that credit exposure to any one financial institution is also limited;
- Ensuring that adequate and regular monitoring reports are prepared and delivered for senior management and the Board's review;
- Establishing appropriate provisions to recognise the impairment of loans and facilities; and
- Ensuring that credit risk management is subject to regular internal audit.

	2011	2010
	\$	\$
Exposure to credit risk – loans and advances to members		
Carrying amount		
Past due but not impaired		
Up to 30 days	2,036,502	845,657
	2,036,502	845,657
Collectively impaired - mortgage loans		
Up to 90 days	127,905	466,307
	127,905	466,307

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
29. FINANCIAL RISK MANAGEMENT (Cont.)		
Collectively impaired – personal loans		
30 days & less than 60 days	12,370	26,341
60 days & less than 90 days	-	-
90 days & less than 182 days	229,376	733
182 days & less than 273 days	-	-
	241,746	27,074
Overdrawn/over-limit		
Less than 14 days	7,900	6,892
14 days & less than 90 days	4,212	26,113
90 days & less than 182 days	3,482	1,642
182 days & over	20,587	5,442
	36,181	40,089
Total past due and impaired		
Collective provision	(22,938)	(17,558)
Specific provision	(24,884)	(5,528)
Total provision	(47,822)	(23,086)
Neither past due nor impaired		
	41,978,411	37,478,278
	44,372,923	38,834,319

Impaired loans

Loans for which the Credit Union determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan.

Past due but not impaired loans

Loans where contractual interest or principal payments are past due, but the Credit Union believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Credit Union.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

29. FINANCIAL RISK MANAGEMENT (Cont.)

Loans with renegotiated terms

Loans that have been restructured due to deterioration in the borrower's financial position and where the Credit Union has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. Currently, the Credit Union has no renegotiated loans.

Allowances for impairment

The Credit Union establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main component of this allowance is the collective loan loss allowance established for the Credit Union in respect of loan losses that have been incurred but have not been identified, subject to individual assessment for impairment.

Write-off policy

Bad debts are written off as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off as expenses in the statement of comprehensive income or against the provision for impairment.

Where the Credit Union holds collateral against loans and advances to Members, it is in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

It is the Credit Union's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. The Credit Union does not use or take repossessed properties for business use. During the year ended 30 June 2011, the Credit Union was not required to take possession of any collateral (2010: nil).

The Credit Union monitors concentration of credit risk by purpose. An analysis of concentrations of credit risk at the reporting date is shown below:

	2011	2010
	\$	\$
Overdrafts	839,316	845,514
Residential loans	38,977,592	34,595,486
Commercial loans	1,106,442	687,854
Personal loans	3,497,395	2,728,551
Total loans gross	<u>44,420,745</u>	<u>38,857,405</u>

Members' deposits are the liability class that presents the major source of risk to the Credit Union's liquidity management. Concentrations within this class of financial liability are measured in terms of exposures to individual depositors and groups of associated depositors. Where the total of an individual or group exposure exceeds 10% of the Credit Union's total liquidity holdings, it is considered that a significant concentration exists. Total liquidity holdings are the sum of the asset classes for cash and cash equivalents and investments (held to maturity).

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

29. FINANCIAL RISK MANAGEMENT (Cont.)

As at 30 June 2011 there are 55 members (2010: 57) who individually have facilities which represent 5% or more of the tier 1 capital base. The total of these facilities which represent loans plus undrawn credit facilities amount to \$23,367,301 (2010: \$23,323,624).

The Credit Union operates within the Eastern Goldfields and Esperance region, servicing members who are residents of this region. The Credit Union does not have any classes of loans which represent in aggregate 10% or more of the members equity outside of this geographical area or to any other member group.

Liquidity risk

The Credit Union's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient funds available to meet its liabilities under both normal and stressed conditions, without incurring unacceptable losses. Sources of liquidity risk include unforeseen withdrawals of demand deposits, increased demand for loans and drawdown on available credit limits, and inability to liquidate a marketable asset.

The Credit Union maintains a portfolio of short term liquid assets to ensure that sufficient liquidity is maintained for daily operational requirements.

The Credit Union has documented its strategy to manage liquidity risk in a liquidity policy and liquidity management plan which includes the following activities by Management:

- On a daily basis, an assessment is made of the daily cash position and the investment action to be undertaken.
- On a daily basis, a summary of the Credit Union's liquidity position, including movements in major liquid assets and liabilities is reviewed.
- On a monthly basis, the liquidity position is reported to the Board, including an explanation of significant movements and corrective action taken, where applicable.
- Periodically liquidity forecasts and associated worst-case scenarios are considered and reported to the Audit and Risk Management.
- Regularly reporting current and emerging liquidity management trends to the Audit and Risk Management and highlighting risk areas and relevant market conditions/expectations.

Management provides an annual budget to the Board, which includes details of the Credit Union's forecast liquidity position. Monthly Board reporting includes tracking against the budgeted forecast position.

The Credit Union 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 Credit Union's policy is to apply a minimum level of 12% of funds as liquid assets to maintain adequate funds for meeting Member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below the trigger level of 13% the management and board are to address the matter and ensure that the liquid funds are obtained from new deposits, borrowing facilities and other risk management tools available.

The liquidity policy and management plan are reviewed at least annually by the Audit and Risk Management Committee, with the policy then approved by the Board.

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

29. FINANCIAL RISK MANAGEMENT (Cont.)

The liquidity ratio is calculated based on the formula prescribed by APRA in APS 210 as can be seen below:

	2011	2010
	\$	\$
High quality liquid assets	12,537,135	5,695,263
Liability base	<u>58,777,590</u>	<u>45,569,478</u>
Liquidity ratio	<u>21.3%</u>	<u>12.5%</u>

Operational risk

Operational risk is a risk of direct or indirect loss arising from a wide variety of causes associated with the Credit Union's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks (such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour). Operational risks arise from all of the Credit Union's operations and are faced by all business entities.

The Credit Union's objective is to manage operational risk so as to balance the avoidance of financial loss and damage to the Credit Union's reputation, against excessive cost and control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of the Credit Union's overall standards for management of operational risk in the following areas:

- Compliance with regulatory and other legal requirements
- Third party supplier relationships
- Business continuity and contingency planning
- People and key person risk including training and professional development
- Outsourcing risk associated with materially outsourced services
- Competition risk
- Fraud risk
- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of transactions
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- Requirements for the reporting of operational losses and proposed remedial action
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with the Credit Union's standards is supported by a program of periodic reviews undertaken by the Audit and Risk Management Committee. The results of these reviews are discussed with the management to which they relate and are reported to the Audit and Risk Management Committee.

GOLDFIELDS CREDIT UNION LIMITED
NOTES TO THE FINANCIAL REPORT
For the year ended 30 June 2011

29. FINANCIAL RISK MANAGEMENT (Cont.)

Capital Management

The Credit Union is licensed as an Authorised Deposit-taking Institution (ADI) under the Banking Act 1959 and is subject to prudential supervision by APRA. APRA has issued a series of prudential standards to implement the Basel II capital framework which took effect from 1 January 2008.

The Credit Union has documented its strategy to manage capital in a capital policy and capital management plan. The Standards include APS 110 Capital Adequacy which:

- Imposes on the Board a duty to ensure that the Credit Union maintains an appropriate level and quality of capital commensurate with the level and extent of the risks to which the Credit Union is exposed from its activities; and
- Obliges the Credit Union to have in place an Internal Capital Adequacy Assessment Process (ICAAP).

Three Pillars – There are three pillars to the Basel II capital framework.

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

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

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

The Board has determined that, for the Credit Union, the prudent level of capital is the sum of the following:

- the specific capital charge for Pillar 1 risks
- the additional capital required to cover Pillar 2 risks, where applicable
- a buffer to cover other capital factors, where applicable

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

- Tier 1 capital, which includes general reserves and current year earnings.
- Tier 2 capital, which includes upper tier 2 capital of general reserve for credit losses and asset revaluation reserves, and lower tier 2 capital of subordinated debt.

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

The Credit Union is required to maintain at least 12% of capital. The Credit Union's policy is to apply a minimum target of 14% capital. A trigger level of 15% has been set by the Board to provide sufficient time for remedial action to be taken.

In accordance with the Credit Union's capital management objectives, the Credit Union's regulatory minimum capital requirements were exceeded at all times during the year.

	2011	2010
	\$	\$
Tier 1 Capital	5,307,310	5,379,905
Tier 2 Capital	266,309	244,762
Total Regulatory capital	5,573,619	5,624,667
Risk weighted assets	26,478,355	22,717,051
Capital ratio	21.1%	24.8%

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

30. KEY MANAGEMENT PERSONNEL

- (a) The following were key management personnel of the Credit Union at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Directors

Allan Edward Pental
Ashton Lewis George
Gregory Coyle
Leigh Stanley Junk
Lisa Michelle Ellery (resigned 17 November 2010)
William Thomas McKenzie

Executives

Farley Fewkes

- (b) Remuneration of Key Management Personnel (KMP):

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

KMP has been taken to comprise the Directors and the members of the executive management responsible for the day-to-day financial and operational management of the Credit Union.

The aggregate compensation of KMP during the year comprising amounts paid or payable or provided for was as follows:

	2011	2010
	\$	\$
Short term employee benefits	151,995	151,896
Post-employment benefits	20,724	31,150
Other long-term benefits	-	-
Termination benefits	-	-
	<u>172,719</u>	<u>183,046</u>

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

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

	2011	2010
	\$	\$
31. KEY MANAGEMENT PERSONNEL (Cont.)		
(c) Loans to Key Management Personnel (KMP)		
(i) The aggregate value of loans to KMP as at the reporting date amounted to:	236,703	249,042
(ii) The total value of credit facilities to KMP, as at the reporting date amounted to:	246,907	261,356
Less amounts drawn down and included in (i)	(236,703)	(249,042)
Net balance available	10,204	12,314
(iii) During the year the aggregate value of loans disbursed to KMP amounted to:	-	-
(iv) During the year the aggregate value of repayments received amounted to:	54,500	52,200
(v) Interest and other revenue earned on loans and revolving credit facilities to KMP	16,161	14,196

The Credit Union's policy for lending to Directors and management is that all loans are approved and deposits accepted on the same terms and conditions that applied to members for each class of loan or deposit.

There are no loans that are impaired in relation to the loan balances with Directors or other KMPs.

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

(d) Other transactions between related parties including deposits from Key Management Personnel (KMP) are:

Total value term and savings deposits from KMP	136,686	127,824
Total interest paid on deposits to KMP	2,534	8,044

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

GOLDFIELDS CREDIT UNION LIMITED

NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2011

30. KEY MANAGEMENT PERSONNEL (Cont.)

(e) Transactions with other related parties

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

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

There are no benefits paid or payable to the close family members of the KMP.

31. CREDIT UNION DETAILS

The registered office of the Credit Union is:

120 Egan Street
KALGOORLIE WA 6430

The principal places of business of the Credit Union are:

120 Egan Street
KALGOORLIE WA 6430

90 Dempster Street
ESPERANCE WA 6450

RSM Bird Cameron Partners
8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Goldfields Credit Union Limited for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Scubitt

S C CUBITT
Partner

Perth, WA

Dated: *15 August 2011*