

**GOLDFIELDS CREDIT UNION LIMITED**  
**ACN 087 651 849**  
**Financial Report**  
**For the year ended 30 June 2009**

**C O N T E N T S**

Directors' Report

Independent Auditor's Report

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## **GOLDFIELDS CREDIT UNION LIMITED**

### **DIRECTOR'S REPORT**

Your Directors present their report on the financial report and operations of Goldfields Credit Union Ltd for the year ended 30 June 2009.

#### **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 55 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 a Councilor 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 Committee since its inception. He is 43 years old and is an Associate of the National Insurance Brokers Association and holds a Diploma of Financial Services {Insurance Broking}. He 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 55 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. Mr McKenzie is a member of the State Training Board. He is the current Chairman of the Credit Committee.

##### *Leigh Stanley Junk*

Mr Junk was appointed a Director in March 2004 and is 36 years old. He is a Mining Engineer and an Executive Director of local mining company Donegal Resources Pty Ltd, and a Director of Brilliant Mining Corp. based in Vancouver, Canada. Mr Junk is also a member of the Credit Committee.

##### *Gregory Coyle*

Mr Coyle was seconded to the Board of GCU upon resignation of Dean Willis in October 2006 and was elected to the Board at 2007 AGM. He is 53 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*

Mrs Ellery was seconded to the Board upon the resignation of Mrs. Hurley in August 2007 and was elected to the Board in at 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 Meetings</u>		<u>Audit Committee</u>		<u>Credit Committee</u>	
	<u>Held</u>	<u>Attended</u>	<u>Held</u>	<u>Attended</u>	<u>Held</u>	<u>Attended</u>
A Pental	11	11	-	-	20	18
A George	11	10	4	4	-	-
G Coyle	11	11	4	4	-	-
L Junk	11	10	-	-	20	15
W McKenzie	11	11	-	-	20	20
L Ellery	11	11	4	4	-	-

#### **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 \$373,098 (2008: \$702,914). The results of the Credit Union's operations during the financial year were not in the opinion of the Directors substantially affected by any item, transaction or event of a material and unusual nature.

#### **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.

#### **CHANGES IN THE STATE OF AFFAIRS**

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.

## **GOLDFIELDS CREDIT UNION LIMITED**

### **DIRECTOR'S REPORT**

#### **FUTURE DEVELOPMENTS**

Likely developments in the operations of the Credit Union and the expected results of those operations in future financial years have not been included in this report, as the inclusion of such information is likely to result in unreasonable prejudice to the Credit Union.

#### **CONTINGENT LIABILITIES**

No contingent or other liability has become enforceable or is likely to become enforceable after the end of the financial year which in the opinion of the Directors, will or may substantially affect the ability of the Credit Union to meet its obligations as and when they fall due. At the date of this report the Directors are not aware of any circumstances not otherwise dealt with in this report or account that would render any amount stated in the accounts misleading.

#### **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 20<sup>TH</sup> day of September 2009

# RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
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## 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 company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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.

*Independence*

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

*Auditor's Opinion*

In our opinion:

- (a) the financial report of Goldfields Credit Union Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) 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

*S C Cubitt*

S C CUBITT  
Partner

Perth, WA  
Dated: 20 September 2009

**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; and
  - b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Credit Union.
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 **20<sup>TH</sup>** day of September 2009

**GOLDFIELDS CREDIT UNION LIMITED**

**INCOME STATEMENT**

**For the year ended 30 June 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
Interest revenue	2	2,908,985	3,157,093
Interest expense	2	<u>(1,354,584)</u>	<u>(1,399,515)</u>
Net interest revenue	2	1,554,401	1,757,578
Non-interest revenue	2	621,052	1,070,659
Impairment losses on loans and advances	2	2,545	64,921
Other expenses	3	<u>(1,653,720)</u>	<u>(1,894,773)</u>
<b>NET PROFIT BEFORE INCOME TAX</b>		524,278	998,385
Income tax expense	4	<u>(151,180)</u>	<u>(295,471)</u>
<b>NET PROFIT AFTER INCOME TAX</b>		373,098	702,914
Retained profits at the beginning of the year		<u>-</u>	<u>-</u>
Total available for appropriation		373,098	702,914
Aggregate of amounts transferred to reserves		<u>(373,098)</u>	<u>(702,914)</u>
<b>RETAINED PROFITS AT THE END OF THE YEAR</b>		<u>-</u>	<u>-</u>

The accompanying notes form part of these financial statements

**GOLDFIELDS CREDIT UNION LIMITED**

**BALANCE SHEET**

**As at 30 June 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
Cash and cash equivalents	5	1,224,594	2,716,810
Due from other financial institutions	6	4,738,628	7,459,060
Loans and advances to members	7	34,821,462	31,381,735
Other financial assets	9	141,969	141,969
Property, plant and equipment	10	667,224	719,022
Intangible assets	11	179,919	-
Deferred tax assets	12	56,644	52,131
Other assets	13	70,593	94,749
<b>TOTAL ASSETS</b>		<b>41,901,033</b>	<b>42,565,476</b>
<b>LIABILITIES</b>			
Deposits from members	14	35,530,591	36,408,369
Payables	15	447,073	531,560
Other borrowed funds	16	400,000	400,000
Current tax liability	12	8,640	102,870
Deferred tax liabilities	12	67,592	65,462
Provisions	17	142,369	126,187
<b>TOTAL LIABILITIES</b>		<b>36,596,265</b>	<b>37,634,448</b>
<b>NET ASSETS</b>		<b>5,304,768</b>	<b>4,931,028</b>
<b>MEMBERS' FUNDS</b>			
Members' shares	18	9,640	9,932
Property, plant and equipment revaluation reserve		150,715	149,781
General reserve for credit losses		84,110	85,610
General reserves		5,060,303	4,685,705
		<b>5,304,768</b>	<b>4,931,028</b>

The accompanying notes form part of these financial statements

**GOLDFIELDS CREDIT UNION LIMITED**

**STATEMENT OF CHANGES IN EQUITY**

**For the year ended 30 June 2009**

	Members Shares	Financial Assets Reserve	Property, Plant and Equipment Revaluation Reserve	General Reserve for Credit Losses	General Reserve	Total Members Funds
	\$	\$	\$	\$	\$	\$
<b>As at 30 June 2007</b>	<b>10,356</b>	<b>20,218</b>	-	<b>105,299</b>	<b>3,963,102</b>	<b>4,098,975</b>
Profit for the year	-	-	-	-	702,914	702,914
Transfer from/to General Reserve/General Reserve for Credit Losses	-	-	-	(19,689)	19,689	-
Net return of members equity	(424)	-	-	-	-	(424)
Disposal of financial assets	-	(20,218)	-	-	-	(20,218)
Revaluation increment	-	-	149,781	-	-	149,781
<b>As at 30 June 2008</b>	<b>9,932</b>	-	<b>149,781</b>	<b>85,610</b>	<b>4,685,705</b>	<b>4,931,028</b>
Profit for the year	-	-	-	-	373,098	373,098
Transfer from/to General Reserve/General Reserve for Credit Losses	-	-	-	(1,500)	1,500	-
Net return of members equity	(292)	-	-	-	-	(292)
Revaluation increment	-	-	934	-	-	934
<b>As at 30 June 2009</b>	<b>9,640</b>	-	<b>150,715</b>	<b>84,110</b>	<b>5,060,303</b>	<b>5,304,768</b>

The accompanying notes form part of these financial statements

**GOLDFIELDS CREDIT UNION LIMITED**

**CASH FLOW STATEMENT**

**For the year ended 30 June 2009**

	<b>Note</b>	<b>2009</b>	<b>2008</b>
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Interest received		2,919,378	3,157,422
Fees and commissions received		560,797	951,790
Dividends received		26,026	18,493
Other income		26,440	71,602
Interest and other costs of finance costs paid		(1,334,232)	(1,371,146)
Payments to suppliers and employees		(1,685,937)	(1,842,294)
Income tax paid		(246,858)	(243,262)
		<hr/>	<hr/>
<b>Net cash provided by operating activities</b>	27(c)	265,614	742,605
		<hr/>	<hr/>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net increase in loans, advances and other receivables		(3,437,182)	(2,408,492)
Proceeds from sales and redemption of investments		-	26,048
Proceeds from sale of property, plant and equipment		12,499	-
Payments for property, plant and equipment		(14,090)	(53,211)
Payments for intangible assets		(161,420)	-
		<hr/>	<hr/>
<b>Net cash (used in) investing activities</b>		(3,600,193)	(2,435,655)
		<hr/>	<hr/>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase/(decrease) in deposits and other borrowings		(877,777)	2,506,975
Payments for the redemption of member shares		(292)	(424)
		<hr/>	<hr/>
<b>Net cash provided by/(used in) financing activities</b>		(878,069)	2,506,551
		<hr/>	<hr/>
Net increase/(decrease) in cash held		(4,212,648)	813,501
Cash and cash equivalents at beginning of the financial year		<hr/>	<hr/>
		10,175,870	9,362,369
Cash and cash equivalents at the end of the financial year	27(a)	<hr/>	<hr/>
		5,963,222	10,175,870
		<hr/>	<hr/>

The accompanying notes form part of these financial statements

## **GOLDFIELDS CREDIT UNION LIMITED**

### **NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

#### 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 20 September 2009.

##### **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 income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement 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 2009**

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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement 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 balance sheet 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 income statement. 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 2009

### 1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

#### (b) Income tax

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

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

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

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

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

The Credit Union is classified as a recognised large credit union for income tax purposes.

#### (c) Employee benefits

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

#### (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 balance sheet.

#### (e) Cash flows on net basis

Cash flows arising from the following activities are presented on a net basis in the Cash Flow Statement:

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

## GOLDFIELDS CREDIT UNION LIMITED

### NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2009

#### 1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

##### (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 income statement 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 balance 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.

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 income statement.

###### *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)

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(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 income statement. 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 income statement.

(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 Income Statement over the period of the loans and borrowings using the effective interest method.

(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.

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(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 Income Statement.

*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 2009

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 balance sheet 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 consolidated entities obligations depend on uncertain future events and principally consist of obligations to third parties.

Items are classified as commitments where the consolidated entity 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 balance sheet 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 2009

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(t) New Accounting Standards for Application in Future Periods

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

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

- AASB 3: Business Combinations, AASB 127: Consolidated and Separate Financial Statements, AASB 2008-3: Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 [AASB Standards 1, 2, 4, 5, 7, 101, 107, 112, 114, 116, 121, 128, 131, 132, 133, 134, 136, 137, 138 and 139 and Interpretations 9 and 107] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2008-7: Amendments to Australian Accounting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [AASB 1, AASB 118, AASB 121, AASB 127 and AASB 136] (applicable for annual reporting periods commencing from 1 January 2009). These Standards are applicable prospectively and so will only affect relevant transactions and consolidations occurring from the date of application. In this regard, the impact on the Credit Union is not able to be determined.
- AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefine the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the Credit Union.
- AASB 123: Borrowing Costs and AASB 2007-6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the Credit Union as a policy of capitalising qualifying borrowing costs has been maintained by the Credit Union.
- AASB 2008-2: Amendments to Australian Accounting Standards — Puttable Financial Instruments and Obligations arising on Liquidation [AASB 7, AASB 101, AASB 132 and AASB 139 and Interpretation 2] (applicable for annual reporting periods commencing from 1 January 2009). These amendments introduce an exception to the definition of a financial liability, to classify as equity instruments certain puttable financial instruments and certain other financial instruments that impose an obligation to deliver a pro rata share of net assets only upon liquidation.
- AASB 2008-5: Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) and AASB 2008-6: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008) detail numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Credit Union.

## **GOLDFIELDS CREDIT UNION LIMITED**

### **NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

1. STATEMENT OF ACCOUNTING POLICIES (Cont.)

(t) New Accounting Standards for Application in Future Periods (Cont.)

- AASB 2008–8: Amendments to Australian Accounting Standards — Eligible Hedged Items [AASB 139] (applicable for annual reporting periods commencing from 1 July 2009). This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation as a hedged item should be applied in particular situations and is not expected to materially affect the Credit Union.
- AASB 2008–13: Amendments to Australian Accounting Standards arising from AASB Interpretation 17 — Distributions of Non-cash Assets to Owners [AASB 5 and AASB 110] (applicable for annual reporting periods commencing from 1 July 2009). This amendment requires that non-current assets held for distribution to owners be measured at the lower of carrying value and fair value less costs to distribute.
- AASB Interpretation 17: Distributions of Non-cash Assets to Owners (applicable for annual reporting periods commencing from 1 July 2009). This guidance applies prospectively only and clarifies that non-cash dividends payable should be measured at the fair value of the net assets to be distributed, where the difference between the fair value and carrying value of the assets is recognised in profit or loss.

The Credit Union does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the Credit Union's financial statements.

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

2. INCOME STATEMENT

(a) Net interest income

<b>2009</b>	<b>Average balance \$</b>	<b>Interest \$</b>	<b>Average Rate %</b>
Investment securities	7,142,343	329,645	4.62
Loans and advances	<u>34,550,028</u>	<u>2,579,340</u>	<u>7.47</u>
Interest income	<u>41,692,371</u>	<u>2,908,985</u>	<u>6.98</u>
Deposits	36,655,440	1,325,713	3.62
Subordinated loan	<u>400,000</u>	<u>28,871</u>	<u>7.22</u>
Interest expense	<u>37,055,440</u>	<u>1,354,584</u>	<u>3.66</u>
Net interest income		<u>1,554,401</u>	<u>3.32</u>

**2008**

Investment securities	8,490,155	552,550	6.51
Loans and advances	<u>29,678,649</u>	<u>2,604,543</u>	<u>8.78</u>
Interest income	<u>38,168,804</u>	<u>3,157,093</u>	<u>8.27</u>
Deposits	34,074,515	1,362,891	4.00
Subordinated loan	<u>400,000</u>	<u>36,624</u>	<u>9.16</u>
Interest expense	<u>34,474,515</u>	<u>1,399,515</u>	<u>4.06</u>
Net interest income		<u>1,757,578</u>	<u>4.21</u>

(b) Non-interest revenue

	<b>2009 \$</b>	<b>2008 \$</b>
Other operating income		
Lending fees	92,151	117,117
Commissions and other fees	468,646	834,673
Dividends received	26,026	18,493
Insurance income	3,281	13,265
Bad debts recovered	17,303	39,939
Gain on disposal of financial assets	7,788	28,774
Other	<u>5,857</u>	<u>18,398</u>
	<u>621,052</u>	<u>1,070,659</u>

(c) Impairment losses on loans and advances

Impairment expense	<u>2,545</u>	<u>64,921</u>
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**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
3. PROFIT BEFORE INCOME TAX		
Profit before income tax has been determined after:		
Interest expense	1,354,584	1,399,515
Other expenses		
Staff related costs		
Salaries and wages	508,717	478,302
Superannuation	44,300	41,539
Other	17,037	25,182
Depreciation	27,543	46,845
Amortisation	15,136	
Administrative expenses		
Advertising and promotions	60,502	55,241
Directors fees	52,320	48,161
Computer system and software costs	108,661	107,818
Products and services delivery costs	390,758	712,291
Other	428,746	379,394
Total other expenses	1,653,720	1,894,773
4. INCOME TAX		
(a) The components of tax expense comprise		
Current tax	(1,449)	269,848
Deferred tax	152,629	25,623
	151,180	295,471
The prima facie income tax payable on the operating profit is reconciled as follows:		
(b) Profit before tax	524,278	998,385
Prima facie income tax expense on ordinary activities before income tax at 30%	157,283	299,516
Tax effect of:		
Rebateable fully franked dividends	-	(2,378)
Other non-allowable items	(6,103)	(1,667)
	151,180	295,471

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>5. CASH AND CASH EQUIVALENTS</b>		
Cash on hand and at bank	1,224,594	2,716,810
 <b>6. DUE FROM OTHER FINANCIAL INSTITUTIONS</b>		
Deposits with special service provider	4,738,628	7,459,060
 Maturity analysis		
- Not longer than 3 months	4,738,628	7,459,060
 <b>7. LOANS AND ADVANCES</b>		
Overdrafts	650,140	651,788
Term loans	34,184,269	30,747,529
	34,834,409	31,399,317
Provision for impairment	(12,947)	(17,582)
	34,821,462	31,381,735
 Maturity analysis – gross loans and advances		
- Overdraft	650,140	651,788
- Not longer than 3 months	10,918	49,866
- Longer than 3 and not longer than 12 months	61,598	409,722
- Longer than 1 and not longer than 5 years	4,105,498	4,879,237
- Longer than 5 years	30,006,255	25,408,704
	34,834,409	31,399,317

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
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	2,709	11,092
Collective provisions	10,238	6,490
	12,947	17,582
(b) Specific provision for impairment		
Opening balance	11,092	23,931
Bad and doubtful debts provided for during the year	-	-
Unused amounts reversed	(8,383)	(10,836)
Bad debts written off during the year	-	(2,003)
Closing balance	2,709	11,092
(c) Collective provision for impairment		
Opening balance	6,490	66,931
Bad and doubtful debts provided for during the year	5,928	-
Unused amounts reversed	-	(54,060)
Bad debts written off during the year	(2,180)	(6,381)
Closing balance	10,238	6,490
(d) Net charge/(credit) to Income Statement for bad and doubtful debts comprises of:		
Specific provision	(4,550)	(71,276)
Bad debts recovered	(17,303)	(39,939)
	(21,853)	(111,215)
(e) Grading of credit risk loans		
Non accrual loans	41,549	49,825
Provision for impairment	(12,947)	(11,092)
	28,602	38,733
Restructured loans	29,706	58,429
Provision for impairment	-	-
	29,706	58,429

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>9. OTHER FINANCIAL ASSETS</b>		
Shares in unlisted corporations	141,969	141,969
<p>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.</p> <p>The shareholding is measured at cost as its fair value could not be measured reliably. These shares are held to enable the Credit Union to receive essential banking services outlined in Note 22.</p> <p>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.</p>		
<b>10. PROPERTY, PLANT AND EQUIPMENT</b>		
Land – Independent valuation (2007)	248,500	248,500
<b>Buildings</b>		
Independent valuation (2007)		
Cost	386,500	386,500
Accumulated depreciation	(15,458)	(7,730)
	371,042	378,770
<b>Office plant and equipment</b>		
Cost	159,113	173,576
Accumulated depreciation	(143,876)	(161,780)
	15,237	11,796
<b>Motor vehicles</b>		
Cost	39,082	39,082
Accumulated depreciation	(23,899)	(15,104)
	15,183	23,978

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

		<b>2009</b>	<b>2008</b>
		\$	\$
10. PROPERTY, PLANT AND EQUIPMENT (Cont.)			
Computer equipment			
Cost	200,012	725,439	
Accumulated depreciation	(182,750)	(669,461)	
	17,262	55,978	
 Total property, plant and equipment	 667,224	 719,022	

The Credit Union's land and buildings were revalued on 10 July 2007 by an independent licensed valuer. Valuations were 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
	\$	\$	\$	\$	\$	\$
<b>2008</b>						
<b>Balance at beginning of the year</b>	191,500	230,861	8,554	32,772	36,222	499,909
Additions	-	-	5,190	-	48,335	53,525
Revaluations	57,000	155,639	-	-	-	212,639
Disposals	-	-	-	-	(206)	(206)
Depreciation	-	(7,730)	(1,948)	(8,794)	(28,373)	(46,845)
<b>Balance at end of the year</b>	248,500	378,770	11,796	23,978	55,978	719,022
<b>2009</b>						
<b>Balance at beginning of the year</b>	248,500	378,770	11,796	23,979	55,978	719,023
Additions	-	-	6,914	-	7,177	14,091
Disposals	-	-	(17)	-	(4,695)	(4,712)
Transfers	-	-	-	-	(33,635)	(33,635)
Depreciation	-	(7,728)	(3,456)	(8,796)	(7,563)	(27,543)
<b>Balance at end of the year</b>	248,500	371,042	15,237	15,183	17,262	667,224

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
11. INTANGIBLE ASSETS		
Computer software		
Cost	195,055	-
Accumulated amortisation	<u>(15,136)</u>	<u>-</u>
	179,919	-
	<u>179,919</u>	<u>-</u>
Computer software		
Balance at beginning of the year		
Additions	161,420	-
Disposals	-	-
Transfers	33,635	-
Amortisation	<u>(15,136)</u>	<u>-</u>
Balance at end of the year	179,919	-
	<u>179,919</u>	<u>-</u>
Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense per the income statement.		
12. DEFERRED TAX		
(a) Assets		
Deferred tax assets comprise:		
Provision for doubtful debts	3,884	5,275
Tax allowances relating to property, plant and equipment	-	-
Accrued expenses	10,049	9,000
Provisions	<u>42,711</u>	<u>37,856</u>
	56,644	52,131
	<u>56,644</u>	<u>52,131</u>
(b) Liabilities		
Current tax liability	<u>8,640</u>	<u>102,870</u>
Deferred tax liabilities comprise:		
Revaluations	<u>67,592</u>	<u>65,462</u>

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

		<b>2009</b>	<b>2008</b>
		\$	\$
13.	<b>OTHER ASSETS</b>		
	Accrued interest receivable	4,803	15,198
	Other debtor	65,790	79,551
		70,593	94,749

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

14.	<b>DEPOSITS</b>		
	Call deposits	18,559,393	21,205,120
	Term deposits	16,971,198	15,203,249
		35,530,591	36,408,369
	Maturity analysis		
	- On call	18,559,393	21,205,120
	- Not longer than 3 months	11,082,452	8,177,354
	- Longer than 3 months and not longer than 12 months	5,634,844	6,736,657
	- Longer than 1 and not longer than 5 years	253,902	289,238
		35,530,591	36,408,369

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.

15.	<b>TRADE AND OTHER PAYABLES</b>		
	Accrued interest payable	294,257	273,905
	Trade payables and accrued expenses	152,816	257,655
		447,073	531,560

Trade 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 assumed to approximate their fair value.

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

		2009	2008
		\$	\$
16.	<b>BORROWED FUNDS</b>		
	Subordinated loan	400,000	400,000
<p>On the 26 September 2002, the Credit Union entered into two subordinated loan agreements whereby the investors agreed to invest \$400,000 with the Credit Union. The loans are issued at a rate of 200 points above the 90 day BBSW and are due for repayment on 1 August 2009</p> <p>In the event the Credit Union is wound up or dissolved or enters into any arrangement for the benefit of all or any class of creditors, the loan will only be repaid after all deposits, secured and unsecured creditors have been paid in full.</p>			
17.	<b>PROVISIONS</b>		
	Employee entitlements		
	Current	116,521	93,108
	Non-current	25,848	33,079
		142,369	126,187
18.	<b>MEMBERS' SHARES</b>		
	2,410 (2008 : 2,483) issued and fully paid-up shares	9,640	9,932

19. **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.

(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.

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

20. STANDBY BORROWING FACILITIES

The Credit Union has at balance date with CUSCAL, secured by a floating charge over its assets, an overdraft facility of \$1,200,000 (2008: \$1,200,000). As at 30 June 2009, this facility was unused.

21. 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 2009 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.

22. 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 maintain 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 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
23. AUDITOR'S REMUNERATION		
Remuneration of the auditor of the Credit Union:		
- Audit services	39,000	37,500
- Non-audit services	3,000	3,000
	42,000	40,500

24. EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 1 August 2009, the subordinated loans of \$400,000 as disclosed in Note 16 became due for repayment. At the instruction of the investors, these balances have been transferred to term deposits.

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.

25. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital expenditure commitments

There were no capital expenditure commitments at balance date.

(b) Contingent liabilities

With effect from 1 July 1999, the Credit Union is a party to the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme that 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;
- 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 2009**

		<b>2009</b>	<b>2008</b>
		\$	\$
25.	COMMITMENTS AND CONTINGENT LIABILITIES (Cont.)		
	(b) Contingent liabilities (Cont.)		
	CUFSS facility exposure	<u>1,340,833</u>	<u>1,362,095</u>
	(c) Outstanding loan commitments		
	Loans approved but not advanced	595,590	1,424,227
	Loan funds available for redraw	<u>2,109,164</u>	<u>2,032,113</u>
		<u>2,704,754</u>	<u>3,456,340</u>
	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.		
	(d) Outstanding overdraft commitments		
	Member overdraft facilities approved but not disbursed	<u>759,708</u>	<u>670,620</u>
	There are no restrictions as to the utilisation of such overdraft facilities		
	(e) Lease commitments		
	There were no lease commitments at balance date.		

26. 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 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>27. NOTES TO THE CASH FLOW STATEMENT</b>		
(a) Reconciliation of cash		
Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash on hand and at bank (Note 5)	1,224,594	2,716,810
Due from other financial institution (Note 6)	4,738,628	7,459,060
	5,963,222	10,175,870
(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	373,098	702,914
<i>Non-cash items</i>		
Amortisation	15,136	-
Depreciation	27,543	46,845
(Gain)/loss on disposal of fixed assets	(7,788)	-
(Gain)/loss on disposal of financial assets	-	(28,774)
Impairment of receivables	(2,545)	(64,921)
<i>Movement in assets and liabilities</i>		
Other assets	24,156	(32,847)
Deferred tax assets	(4,513)	23,019
Current tax payable	(94,230)	26,585
Payables	(84,487)	50,974
Deferred tax liabilities	3,062	2,604
Provisions	16,182	16,206
	265,614	742,605

## GOLDFIELDS CREDIT UNION LIMITED

### NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2009

#### 28. 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 repricing date, or maturity date.

#### 2009

	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%	913,724	-	-	310,870	1,224,594
Due from other financial institutions	3.16%	-	4,738,628	-	-	4,738,628
Loans, advances to members	6.00%	34,821,462	-	-	-	34,821,462
Other investments	-	-	-	-	141,969	141,969
Other debtors	-	-	-	-	70,593	70,593
<b>Total financial assets</b>		<b>35,735,186</b>	<b>4,738,628</b>	<b>-</b>	<b>523,432</b>	<b>40,997,246</b>
<i>FINANCIAL LIABILITIES</i>						
Deposits from members	4.16%	18,559,394	16,717,295	253,902	-	35,530,591
Creditors and accruals	-	-	-	-	447,073	447,073
Subordinated loan	7.22%	400,000	-	-	-	400,000
Provisions	-	-	-	-	142,369	142,369
<b>Total financial liabilities</b>		<b>18,959,394</b>	<b>16,717,295</b>	<b>253,902</b>	<b>589,442</b>	<b>36,520,033</b>
<b>Net financial assets/(liabilities)</b>		<b>16,775,792</b>	<b>(11,978,667)</b>	<b>(253,902)</b>	<b>(66,010)</b>	<b>4,477,213</b>

#### 2008

	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	3.60%	1,989,385	-	-	727,425	2,716,810
Due from other financial institutions	7.54%	-	7,459,060	-	-	7,459,060
Loans, advances to members	9.39%	31,381,735	-	-	-	31,381,735
Other investments	-	-	-	-	141,969	141,969
Other debtors	-	-	-	-	94,749	94,749
<b>Total financial assets</b>		<b>33,371,120</b>	<b>7,459,060</b>	<b>-</b>	<b>964,143</b>	<b>41,794,323</b>
<i>FINANCIAL LIABILITIES</i>						
Deposits from members	4.82%	21,205,120	14,914,011	289,238	-	36,408,369
Creditors and accruals	-	-	-	-	531,560	531,560
Subordinated loan	9.16%	400,000	-	-	-	400,000
Provisions	-	-	-	-	126,187	126,187
<b>Total financial liabilities</b>		<b>21,605,120</b>	<b>14,914,011</b>	<b>289,238</b>	<b>657,747</b>	<b>37,466,116</b>
<b>Net financial assets/(liabilities)</b>		<b>11,766,000</b>	<b>(7,454,951)</b>	<b>(289,238)</b>	<b>306,396</b>	<b>4,328,207</b>

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

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

	Aggregate net fair value		Total carrying amount per the balance sheet	
	<u>2009</u> \$	<u>2008</u> \$	<u>2009</u> \$	<u>2008</u> \$
<b>FINANCIAL ASSETS</b>				
Cash and liquid assets	1,224,594	2,716,810	1,224,594	2,716,810
Due from other financial institutions	4,738,628	7,459,060	4,738,628	7,459,060
Loans and advances to members	34,834,409	31,399,317	34,821,462	31,381,735
Other investments	141,969	141,969	141,969	141,969
Other assets	70,593	94,749	70,593	94,749
<b>Total financial assets</b>	<b>41,010,193</b>	<b>41,811,905</b>	<b>40,997,246</b>	<b>41,794,323</b>
<b>FINANCIAL LIABILITIES</b>				
Deposits from members	35,530,591	36,408,369	35,530,591	36,408,369
Creditors and accruals	447,073	531,560	447,073	531,560
Subordinated loan	400,000	400,000	400,000	400,000
Provisions	142,369	126,187	142,369	126,187
<b>Total financial liabilities</b>	<b>36,520,033</b>	<b>37,466,116</b>	<b>36,520,033</b>	<b>37,466,116</b>

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 amount approximates 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.

Other assets:

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

## GOLDFIELDS CREDIT UNION LIMITED

### NOTES TO THE FINANCIAL REPORT

For the year ended 30 June 2009

#### 29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Cont.)

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.

Trade payables due to other financial institutions:

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

Subordinated loans:

- The fair value of subordinated loan is estimated using discounted cash flow analysis based on yield curve appropriate to the remaining maturity of the instrument.

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.

#### 30. 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 2009**

30. 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 Board and Audit & Risk 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.

<b>Judgement of reasonably possible movements:</b>	<b>Post tax profit higher (lower)</b>		<b>Equity higher (lower)</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
100 basis points increase	31,803	28,153	31,803	28,153
100 basis points decrease	(28,605)	(28,153)	(28,605)	(28,153)

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

30. 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) not exceeding 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.

	<b>2009</b>	<b>2008</b>
	\$	\$
Exposure to credit risk – loans and advances to members		-
Carrying amount		
Past due but not impaired		
Up to 30 days	733,274	2,912,602
	733,274	2,912,602
Collectively impaired - mortgage loans		
Up to 90 days	104,677	63,259
	104,677	63,259

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

30. FINANCIAL RISK MANAGEMENT (Cont.)

	<b>2009</b>	<b>2008</b>
	\$	\$
Collectively impaired – personal loans		
60 days & less than 90 days	-	3,139
182 days & less than 273 days	4,515	18,487
	4,515	21,626
Overdrawn/overlimit		
Less than 14 days	7,879	-
14 days & less than 90 days	14,854	4,238
90 days & less than 182 days	2,486	1,247
182 days & over	2,432	3,858
	27,651	9,343
Total past due and impaired		
Collective provision	(10,238)	(6,490)
Specific provision	(2,709)	(11,092)
Total provision	(12,947)	(17,582)
Neither past due nor impaired	33,964,292	28,392,487
	34,821,462	31,381,735

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 2009**

30. 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 Income Statement 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 2009, the Credit Union was not required to take possession of any collateral (2008: \$ 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:

	<b>2009</b>	<b>2008</b>
	\$	\$
Residential loans	30,935,883	26,886,791
Commercial loans	643,272	842,093
Personal loans	2,605,114	3,018,645
Total loans gross	<u>34,184,269</u>	<u>30,747,529</u>

Members' deposits is 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 2009**

#### 30. FINANCIAL RISK MANAGEMENT (Cont.)

As at 30 June 2009 there are 3 members (2008: 3) who individually have loans which represent 10% or more of the member's funds shown in the Balance Sheet. The total of these loans amounts to \$1,952,875 (2008: \$1,926,254).

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 Risk Committee.
- Regularly reporting current and emerging liquidity management trends to the Risk Committee 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 24 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 Risk Committee, with the policy then approved by the Board.

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

30. FINANCIAL RISK MANAGEMENT (Cont.)

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

	<b>2009</b>	<b>2008</b>
	\$	\$
High quality liquid assets	5,963,222	10,175,870
Liability base	41,222,828	42,683,339
Liquidity Ratio	<u>14.5%</u>	<u>23.8%</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 & 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 2009**

30. 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.

	<b>2009</b>	<b>2008</b>
	\$	\$
Tier 1 Capital	5,003,659	4,633,574
Tier 2 Capital	314,825	395,391
Total Regulatory capital	5,318,484	5,028,965
Risk weighted assets	20,868,550	25,031,551
Capital ratio	25.5%	20.1%

**GOLDFIELDS CREDIT UNION LIMITED**

**NOTES TO THE FINANCIAL REPORT**

**For the year ended 30 June 2009**

31. 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  
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:

	<b>2009</b>	<b>2008</b>
	\$	\$
Short term employee benefits	174,921	163,176
Post-employment benefits	23,590	12,691
Other long-term benefits	-	-
Termination benefits	-	-
	<u>198,511</u>	<u>175,867</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 2009**

31. KEY MANAGEMENT PERSONNEL (Cont.)

(c) Loans to Key Management Personnel (KMP)

(i) The aggregate value of loans to KMP as at balance date amounted to:	270,589	262,649
(ii) The total value of credit facilities to KMP, as at balance date amounted to:	299,988	262,649
Less amounts drawn down and included in (i)	(270,589)	(262,649)
Net balance available	29,399	-
(iii) During the year the aggregate value of loans disbursed to KMP amounted to:	12,400	25,507
(iv) During the year the aggregate value of repayments received amounted to:	50,609	295,134
(v) Interest and other revenue earned on Loans and revolving credit facilities to KMP	17,606	18,021

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	112,604	131,336
Total Interest paid on deposits to KMP	5,290	1,162

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 2009**

31. 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.

32. 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

Chartered Accountants

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## 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 2009, 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

*S C Cubitt*

S C CUBITT  
Partner

Perth, WA  
Dated: 20 September 2009