FIRST CHOICE CREDIT UNION LTD
ABN 63 087 649 867

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2014

FIRST CHOICE CREDIT UNION LTD
ABN 63 087 649 867

Registered Office:
2/18 Sale Street
Orange NSW 2800
Phone: 02 6362 2944
Facsimile: 02 6362 6061

Postal Address:
PO Box 717
Orange NSW 2800

Email: enq@firstchoicecu.com.au
Website: www.firstchoicecu.com.au

Company Secretary:
Mr PR Dawson

Management:
Mr P R Dawson General Manager
Mrs N M Carr Assistant General Manager

Auditor:
Intentus Chartered Accountants

Internal Auditor:
DBP Consulting Pty Ltd

Solicitors:
Blackwell Short Lawyers, Orange
Daniels Bengtsson, Sydney

Bankers:
CUSCAL Limited
National Australia Bank

Australian Financial Services License Number: 240722
Australian Credit License Number: 240722

FIRST CHOICE CREDIT UNION LTD
ABN 63 087 649 867

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DIRECTORS' REPORT

Your directors present their report on First Choice Credit Union Ltd (First Choice) for the financial year ended 30 June 2014.

DIRECTORS

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

Mrs K Boyde
Mr GW Dean
Mr R Dunkley
Mrs C Hainsworth
Mr P Hetherington
Mr P McFarland
Mrs RL Neville
Mrs B Solling
Mrs P Taberner
Mr P Thornberry
Mrs A H Wyllie

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Mr Paul Dawson – Diploma in Financial Services and Graduate of the Institute of Company Directors. Mr Dawson has worked for First Choice Credit Union Ltd for the past twelve years in the position of General Manager. Mr Dawson was appointed company secretary on 8 October 2001.

PRINCIPAL BUSINESS ACTIVITIES

The principal business activities of First Choice during the year were the provision of financial services to members in the form of taking deposits and giving financial accommodation as prescribed by the Constitution. There were no significant changes in the nature of First Choice's activities during the year.

OPERATING RESULTS

The profit earned by of First Choice for the financial year after providing for income tax was $364,421 (2013: $430,316).

REVIEW OF OPERATIONS

Net profit after tax for the year ended 30 June 2014 was $364,421 (2013 - $430,316). First Choice's Constitution prevents the payment of a dividend and accordingly the directors do not recommend payments of a dividend.

The accompanying balance sheet shows that First Choice's total assets increased by $21,432 (.03%) during the year ended 30 June 2014 (2013 - $5,163,176 (11%)). The increase in assets is most apparent in the area of receivables due from financial institutions.

The accompanying statement of comprehensive income for the year ended 30 June 2014 reveals a profit from ordinary activities after income tax of $364,421. This represents a decrease of $65,895 (2013 – decrease of $83,634(16%)). The fall is primarily attributable to a decline in interest margin associated with the lower

DIRECTORS' REPORT
(Continued)

REVIEW OF OPERATIONS (Continued)

interest rate environment, a fall in fee and commission income and an increase in the number of loans provided for and a reduction in fee and commission income received.

The net profit for the year ended 30 June 2014 provided First Choice with a level and quality of capital commensurate with the risks First Choice is exposed.

ENVIRONMENTAL REGULATION

First Choice's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

EVENTS OCCURRING AFTER BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of First Choice, the results of those operations, or the state of affairs of First Choice in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The key strategy of First Choice will continue to be to improve saving and loan services to members. The Directors are not aware of any likely developments that will materially affect the results of First Choice's operations in future years.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments as decided at the Annual General Meeting) by reason of a contract made by First Choice or a related corporation with a Director or with a firm of which he or she is a member, or with an entity in which he or she has a substantial financial interest.

INDEMNIFICATION OF OFFICERS

During the year, a premium was paid in respect of a contract insuring directors and officers of First Choice against liability. The officers of First Choice covered by the insurance contract include the directors, executive officers, secretary and employees. In accordance with normal commercial practice, disclosure of the total amount of premium payable under the insurance contract and the nature of liabilities covered is prohibited by a confidentiality clause in the contract. No insurance cover has been provided for the benefit of the auditors of First Choice.

PROCEEDINGS ON BEHALF OF CREDIT UNION

No person has applied for leave of Court to bring proceedings on behalf of First Choice or intervene in any proceedings to which First Choice is a party for the purpose of taking responsibility on behalf of First Choice for all or any part of those proceedings.

First Choice was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE

A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is set out on page 7.

DIRECTORS' REPORT
(Continued)

INFORMATION ON DIRECTORS

Karen Boyde

Position	-	Director
Qualifications	-	Member of the Australasian Mutuals Institute
		Bachelor of Social Science (Community Development)
		Graduate Diploma of Education (Primary)
		Graduate Diploma in Local Government Management
Employment	-	Orange City Council
Experience	-	Director since 24/6/13
		Associate board member 1/7/12 – 24/6/2013
		Board member since 1/7/12
Interest in shares	-	1 Ordinary share in First Choice
Resigned	-	31.12.2013

Geoffrey Dean

Position	-	Director
		Audit and Risk Committee Member
		Remuneration Committee Member
Qualifications	-	Associate Fellow of the Australasian Mutuals Institute
		Councilor of Cabonne Council
Employment	-	Self Employed
Experience	-	Board member since 16/09/88
Interest in shares	-	1 Ordinary share in First Choice
Resigned	-	31-10-2013

Robin Dunkley

Position	-	Deputy Chairman
		Corporate Governance Committee Member
		Remuneration Committee Member
Qualifications	-	Member of the Australasian Mutuals Institute
		Diploma of Superannuation Management
		Diploma of Financial Services (Financial Planning)
Employment	-	Self Employed
Experience	-	Board member since 03/11/06
Interest in shares	-	1 Ordinary share in First Choice

Chantelle Hainsworth

Position	-	Director
		Corporate Governance Committee Member
Qualifications	-	Bachelor of Commerce
		Master of Professional Accounting
Employment	-	Self Employed
Experience	-	Associate board member 09/13 to 03/14
	-	Board Member since 03/14
Interest in shares	-	1 Ordinary share in First Choice
Resigned	-	30-04-2014

DIRECTORS' REPORT
(Continued)

INFORMATION ON DIRECTORS (Continued)

Peter Hetherington

Position	-	Director Audit and Risk Committee Member
Qualifications	-	Member of the Australasian Mutuals Institute
Employment	-	Government sector
Experience	-	Associate board member 31/10/08 to 30/10/09 Board member since 30/10/09
Interest in shares	-	1 Ordinary share in First Choice

Peter McFarland

Position	-	Director Corporate Governance Committee
Qualifications	-	Member of the Australasian Mutuals Institute Teaching Certificate Qualification Master of Educational Administration with Honours Bachelor of Arts
Employment	-	Self Employed
Experience	-	Director since 1/6/13 Associate board member 1/7/12 – 24/6/2013 Board member since 1/7/12
Interest in shares	-	1 Ordinary share in First Choice

Rosalie Neville

Position	-	Chairperson Audit and Risk Committee Member Remuneration Committee Chair
Qualifications	-	Member of the Australasian Mutuals Institute Bachelor of Social Science (Welfare) Masters in Social Policy and Planning
Employment	-	Self Employed
Experience	-	Board member since 16/10/98
Interest in shares	-	1 Ordinary share in First Choice

Beverly Solling

Position	-	Director Corporate Governance Committee Chairperson
Qualifications	-	Member of the Australasian Mutuals Institute
Employment	-	Central West Logistics
Experience	-	Associate board member 31/10/08 to 30/10/09 Board member since 30/10/09
Interest in shares	-	1 Ordinary share in First Choice

Priscilla Taberner

Position	-	Director Audit and Risk Committee Member
Qualifications	-	Accounting Degree Chartered Accountant Self-Managed Superannuation Fund Auditor
Employment	-	Self employed
Experience	-	Associate board member 09/13 to 03/14 Board member since 03/14
Interest in shares	-	1 Ordinary share in First Choice

DIRECTORS' REPORT
(Continued)

Paul Thornberry

Position	-	Director Audit and Risk Committee Chairperson Remuneration Committee Member
Qualifications	-	Member of the Australasian Mutuals Institute
Employment	-	Cabonne Council
Experience	-	Associate board member 31/10/08 to 30/10/09 Board member since 30/10/09
Interest in shares	-	1 Ordinary share in First Choice

Annette Wyllie

Position	-	Director Corporate Governance Committee Member
Qualifications	-	Member of the Australasian Mutuals Institute Bachelor of Business Bachelor of Rural Science (Honours) MAIM
Employment	-	Self Employed
Experience	-	Board member since 28/04/03
Interest in shares	-	1 Ordinary share in First Choice
Resigned	-	31-10-2013

BOARD AND COMMITTEE MEETING ATTENDANCE

Details of Directors' Board and Committee meetings held and attended since the date of appointment in the current year.

	Board		**Audit and Risk Committee**		**Corporate Governance**		**Remuneration Committee**	
	Meetings Held	**Meetings Attended**	**Meetings Held**	**Meetings Attended**	**Meetings Held**	**Meetings Attended**	**Meetings Held**	**Meetings Attended**
Mrs K. Boyde	13	4^	n/a	n/a	3	1	n/a	n/a
Mr G. Dean	13	4^	4	1	n/a	n/a	1	^
Mr R. Dunkley	13	13	n/a	n/a	3	2*	1	1
Mrs C Hainsworth	13	8^	n/a	n/a	3	1	n/a	n/a
Mr P. Hetherington	13	12	4	3	n/a	n/a	n/a	n/a
Mr P. McFarland	13	13	4	1#	3	2*	n/a	n/a
Mrs R.L. Neville	13	12	4	1*	3	1#	1	1
Mrs B. Solling	13	10	n/a	n/a	3	2	n/a	n/a
Mrs P Taberner	13	9	4	2*	n/a	n/a	n/a	n/a
Mr P. Thornberry	13	7	4	3	n/a	n/a	1	1
Mrs A. Wyllie	13	0^	n/a	n/a	3	1	n/a	n/a

Left Committee 25th November 2013
* Joined Committee 25th November 2013
^ Resigned as a director 31 October 2014

DIRECTORS' REPORT
(Continued)

Signed in accordance with a resolution of the Board of Directors.

Rosalie Neville
Director
Chair of Board of Directors

Paul Thornberry
Director

Dated at Orange this 29 September 2014

intentus
CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF FIRST CHOICE CREDIT UNION LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

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

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

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Intentus

14 Sale Street
Orange
Dated: 29 September 2014

J O'Malley

John O'Malley
Director

Chartered Accountants
COVER OF EXCELLENCE

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
Interest revenue	2	2,959,587	3,155,563
Interest expense	2	(1,127,050)	(1,281,614)
Net interest income		1,832,537	1,873,949
Fees, commission and other income	3	336,544	386,959
Less			
Non interest expenses			
Impairment losses on loans receivable from members	4.1	(83,442)	(36,943)
General Administration			
- Employees compensation and benefit	4.2	(713,132)	(671,169)
- Depreciation and amortisation	4.2	(31,883)	(34,039)
- Information technology		(110,461)	(124,405)
- Property expenses	4.2	(87,413)	(102,866)
- Loss on disposal of assets	4.2	(1,109)	-
- Other administration	4.2	(626,723)	(683,414)
Total non interest expenses		(1,654,163)	(1,652,836)
Profit before income tax		514,918	608,072
Income tax expense	6	(150,497)	(177,756)
Profit after income tax		364,421	430,316
Other comprehensive income		-	-
Total comprehensive income for the year		364,421	430,316

The accompanying notes form part of these financial statements

FIRST CHOICE CREDIT UNION LTD
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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Asset Revaluation Reserve $	Reserve for Credit Losses $	Retained Earnings $	Total $
Balance at 30 June 2012	259,145	428,192	5,408,326	6,095,663
Profit for the year	-	-	430,316	430,316
Transfer from retained earnings to reserve for credit losses	-	19,251	(19,251)	-
Asset Revaluation	(60,440)	-	-	(60,440)
At 30 June 2013	198,705	447,443	5,819,391	6,465,539
Profit for the year	-	-	364,421	364,421
Transfer from retained earnings to reserve for credit losses	-	-	-	-
Asset Revaluation	-	-	-	-
At 30 June 2014	198,705	447,443	6,183,812	6,829,960

The accompanying notes form part of these financial statements.

FIRST CHOICE CREDIT UNION LTD
ABN 63 087 649 867

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Notes	2014 $	2013 $
ASSETS			
Cash and liquid assets	7	4,492,490	4,512,130
Receivables due from financial institutions	8	14,931,345	13,776,414
Receivables	9	97,590	141,916
Prepayments		4,867	8,746
Loans and advances to members	10	33,045,924	34,136,907
Available for sale investments	11	78,938	78,938
Property, plant and equipment	12	862,915	875,011
Intangibles	13	103,499	73,211
Deferred tax assets	16.2	103,721	96,584
TOTAL ASSETS		53,721,289	53,699,857
LIABILITIES			
Deposits from members	14	46,220,443	45,606,080
Creditor accruals and settlement accounts	15	541,553	1,466,249
Current tax liabilities	16.1	18,896	55,965
Provisions	17	59,409	53,919
Deferred tax liabilities	16.1	51,028	52,105
TOTAL LIABILITIES		46,891,329	47,234,318
NET ASSETS		6,829,960	6,465,539
MEMBERS' EQUITY			
Asset revaluation reserve	18.1	198,705	198,705
Reserve for credit losses	18.2	447,443	447,443
Retained profits		6,183,812	5,819,391
TOTAL MEMBERS' EQUITY		6,829,960	6,465,539

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Notes	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenue Inflows			
Interest received on loans		2,342,754	2,498,449
Interest received on investments		661,126	660,820
Dividends received		14,472	14,340
Fees and commissions received		288,440	332,540
Other income		33,632	40,079
Revenue Outflows			
Interest paid on members' savings		(1,209,924)	(1,358,150)
Interest paid on borrowings		(764)	(696)
Payments to suppliers and employees		(1,556,233)	(1,458,285)
Income taxes paid		(195,780)	(164,742)
Net cash provided by revenue activities	32.3	377,723	564,355
Members' loan repayments		8,822,098	6,631,143
Members' loan fundings		(7,814,557)	(9,412,216)
Net increase/(decrease) in member shares		520	(990)
Net increase/(decrease) in member savings		613,843	4,082,752
Net (increase)/decrease in deposits to other financial institutions		(1,154,932)	(4,600,131)
Net increase/(decrease) in members' clearing		(813,151)	743,767
Net cash provided by (used in) operating activities		(346,179)	(2,555,675)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on sale of property, plant and equipment		7,726	-
Payment for property, plant and equipment		(23,156)	(429,519)
Payment for intangible assets		(35,754)	(62,421)
Net cash provided by (used in) investing activities		(51,184)	(491,940)
NET INCREASE/(DECREASE) IN CASH HELD		(19,640)	(2,483,260)
Cash at beginning of year		4,512,130	6,995,390
CASH AT END OF YEAR	32.2	4,492,490	4,512,130

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The financial statements are prepared for First Choice Credit Union Ltd as a single credit union, for the year ended 30 June 2014. The report was authorised for issue on 29 September 2014 in accordance with a resolution of the Board of Directors. The financial statements are presented in Australian dollars. The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless otherwise stated.

First Choice Credit Union Ltd is a company limited by shares, incorporated and domiciled in Australia.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets and financial assets. The accounting policies are consistent with the prior year unless otherwise stated.

1.1 Loans to members

(i) Basis of recognition

All loans are initially recognised at fair value, net of loan origination fees and inclusive of transaction costs incurred. Loans are subsequently measured at amortised cost. Any difference between the proceeds 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 First Choice at balance date, less any allowance or provision against debts considered doubtful. A loan is classified as impaired where Senior Management believe there is doubt over the timely collection of the full amount of cashflows contracted to be received and this view is endorsed by the Board of Directors. Australian Prudential Regulation Authority (APRA) has mandated that interest is not recognised as revenue after the irregularity exceeds 90 days for a loan facility.

(ii) Interest earned

Term Loans - The loan interest is calculated on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last day of each month.

Overdraft – The overdraft interest is calculated initially on the basis of the daily balance outstanding and is charged in arrears to a member's account on the last of each month.

Non-Accrual Loan Interest – while still legally recoverable, interest is not brought to account where a loan is impaired.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Loans to members (continued)

(iii) Loan origination fees and discounts

Material loan establishment fees and discounts are initially deferred as part of the loan balance, and are brought to account as income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

(iv) Transaction costs

Transaction costs are expenses that are direct and incidental to the establishment of the loan. Material costs are initially deferred as part of the loan balance, and are brought to account as a reduction to the income over the expected life of the loan. The amounts brought to account are included as part of interest revenue.

(v) Fees on loans

The fees charged on loans after origination of the loan are recognised as income when the service is provided or costs are incurred.

1.2 Loans impairment

(i) Provision for impairment

First Choice's provision for impairment will comprise:

(i) Individually Assessed Provisions (IAP) in accordance with AIFRS

(ii) Collective provisions deemed ineligible for inclusion in the General Reserve for Credit Losses

(iii) The prescribed provision calculated using the methodology in Australian Prudential Standard 220 Credit Quality less provisions held under (i) and (ii).

All facilities are considered for impairment and losses over the total life of the facilities at which time any IAPs deemed necessary are raised. A loan is classified as impaired where Senior Management believe there is doubt over the timely collection of the full amount of cash flows contracted to be received Impairment is calculated as the difference between future cash flows estimated to be collecteable on a facility and the carrying amount of the facility. The security held against the facility is also considered and the shortfall of the loan less consideration received for the security if held as an individual provision.

The critical assumptions used in the calculation are as set out in Note 10. Note 19 details the credit risk management approach for loans.

An assessment is made at each balance date to determine whether there is objective evidence that a specific financial asset or a group of financial assets is impaired. Evidence of impairment may include indications that the borrower has defaulted, is experiencing significant financial difficulty, or where the debt has been restructured to reduce the burden to the borrower. A collective provision will be made as required on the basis of this assessment

Australian Prudential Standard 220 Credit Quality requires a minimum provision to be maintained, based on specific percentages on the loan balance which are contingent upon the length of time the repayments are in arrears.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Loans impairment (continued)

(ii) Reserve for credit losses

The Board recognises that in addition to the specific provision, First Choice will need to make an allocation from retained earnings to act as a buffer against unexpected losses. The reserve is calculated on a portfolio basis, based upon the relative risk levels for different asset classes, with a base level of provisioning for the lowest risk asset class. Historical bad debt write-offs and underlying security are also considered as part of the portfolio assessment.

1.3 Bad debts written off

Bad debts are written off from time to time as determined by management and the Board of Directors when it is reasonable to expect that the recovery of the debt is unlikely. Bad debts are written off against the provision for impairment previously recognised. If no provision had been recognised, the write offs are recognised as expenses in the statement of comprehensive income.

1.4 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.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised against fair value reserves directly in equity; all other decreases are recognised in profit or loss.

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.

Plant and equipment

Plant and equipment are measured on the cost basis and are therefore carried as cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss.

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 entity 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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Property, Plant and Equipment (continued)

Depreciation

The depreciable amount of all fixed assets including building assets, but excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the entity commencing from the time the asset is held ready for use.

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

Buildings	2.5%
Office furniture and equipment	10% to 50%
EDP equipment	12.5% to 50%
Motor vehicles	22.5%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Assets with a cost less than $500 are not capitalised.

1.5 Intangible assets

Intangibles are carried at cost less, where applicable, any accumulated amortisation and impairment losses. The amortization rates used for intangibles are 37.50% to 50% unless it is determined that the intangible has an indefinite life.

The carrying amount of software is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these assets.

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 entity 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.

1.6 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 three months or less, and bank overdrafts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.7 Receivables from other financial institutions

Term deposits and negotiable certificates of deposit with other financial institutions are unsecured and have a carrying amount equal to their principal amount. Interest is paid on the daily balance at maturity. All deposits are in Australian currency. The accrual for interest receivable is calculated on a proportional basis of the expired period of the term of the investment. Interest receivable is included in the amount of receivables in the balance sheet.

1.8 Equity investments

Investments in shares are classified as available for sale financial instruments.

Investments in shares, which do not have a ready market and are not capable of being reliably valued, are recorded at the lower of cost or recoverable amount. Investments in shares where no market value is readily available are carried at cost less any provision for impairment.

All investments are in Australian currency.

1.9 Members' deposits

(i) Basis for measurement

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

(ii) Interest payable

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

1.10 Employee benefits

Provision is made for First Choice's liability for employee benefits arising from services rendered by employees to the end of the reporting period. 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. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

Annual leave is reflected as part of the creditors and accruals.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.11 Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when First Choice becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that First Choice commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost - is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including arm's length transactions, reference to similar instruments and option pricing models.

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

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.11 Financial instruments (continued)

(iii) Held-to maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is First Choice's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with change in such fair value (i.e. gains or losses) recognised in other comprehensive income (except for impairment losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, First Choice assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are immediately recognised in profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

De-recognition

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.12 Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership, which are transferred to First Choice, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses on a straight-line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight line basis over the life of the lease term.

1.13 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.

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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.14 Goods and services tax

As a financial institution First Choice is input taxed on all income except for income from commissions and some fees. An input taxed supply is not subject to GST collection, and similarly the GST paid on related or apportioned purchases cannot be recovered. As some income is charged GST, the GST on purchases are generally recovered on a proportionate basis. In addition certain prescribed purchases are subject to reduced input tax credits (RITC), of which 75% of the GST paid is recoverable.

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

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

1.15 Impairment of assets

At the end of each reporting period, First Choice assesses whether there is any indication that an asset may be impaired. The assessment will include considering external sources of information and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (e.g. in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.16 Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Where First Choice has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.17 Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements 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 First Choice.

Management have made critical accounting estimates when applying First Choice's accounting policies with respect to the impairment provisions for loans - refer Note 10.

1.18 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 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 9 *Financial Instruments (December 2010)* and AASB 2010–7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*.

  These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

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.

These Standards were mandatorily applicable for annual reporting periods commencing on or after 1 January 2013. However, AASB 2012–6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* (issued September 2012) defers the mandatory application date of AASB 9 from 1 January 2013 to 1 January 2015. This amendment is a consequence of the deferral of IFRS 9 to allow the IASB to complete its revision of that Standard.

In light of this change of mandatory effective date, the Credit Union is expected to adopt AASB 9 and AASB 2010–7 for the annual reporting period ending 30 June 2016. The Credit Union does

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.18 New Accounting Standards for Application in Future Periods (Continued)

not expect these pronouncements to cause a significant monetary impact on its financial statements. The impact is expected to be restricted to a slight change in the disclosures.

- AASB 2012–3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard adds application guidance to AASB 132 *Financial Instruments: Presentation* to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

  This Standard is not expected to significantly impact the Credit Union.

- AASB 2013-3 *Amendments to AASB 136 – Recoverable Amounts Disclosures for Non-Financial Assets* (applicable for annual reporting periods commencing on or after 1 January 2014).

  This Standard amends the disclosure requirements in AASB 136 Impairment of Assets as a consequence of the issuance of Internal Financial Reporting Standard Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS36) by the International Accounting Standards Board in May 2013. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

  In addition, a further requirement has been included to disclose the discount rates that have been used in the current and previous measurements if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique. The intention of this amendment is to harmonise the disclosures requirements for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets.

  These amendments impact on disclosures only, and is not expected to significantly impact the amounts recognised in the Credit Union's financial statements.

2. INTEREST REVENUE AND INTEREST EXPENSE

The following table shows the interest for each of the major categories of interest bearing assets and liabilities.

	2014 $	2013 $
Interest revenue		
Receivables from financial institutions	616,833	657,114
Loans and advances (non-commercial)	2,218,273	2,369,160
Commercial loans	124,481	129,289
	2,959,587	3,155,563
Interest expense		
Deposits from members	1,126,286	1,280,918
Short-term borrowings	764	696
	1,127,050	1,281,614
Net interest income	1,832,537	1,873,949

3. FEE, COMMISSIONS AND OTHER INCOME

	2014 $	2013 $
Fee and commission revenue		
Fee income on loans	49,013	58,557
Fee income from member deposits	186,062	214,684
Insurance commissions	32,248	36,327
Securitisation Activities	1,673	2,799
Other commissions	19,444	20,173
Total fee and commission revenue	288,440	332,540
Other income		
Dividends received on available for sale assets	14,472	14,340
Bad debts recovered	7,565	19,880
Miscellaneous revenue	20,194	14,326
Rental income	5,873	5,873
Total fee, commission and other income	336,544	386,959

4 NON INTEREST EXPENSE

4.1 Impairment losses

	2014 $	2013 $
Loans and advances		
Increase in provision for impairment	83,442	36,943
Bad debts written off against directly against profit	-	-
Total impairment losses	83,442	36,943

4.2 Individually significant items of signature

The following items of expense are shown as part of Administration expenses and are considered to be significant to the understanding of the financial performance :-

	2014 $	2013 $
Loss on disposal of assets	1,109	-
Depreciation and amortization		
Depreciation	26,418	28,104
Amortisation of intangible assets	5,465	5,935
Total depreciation and amortisation	31,883	34,039
Property expenses		
Occupancy expenses	44,049	57,617
Agency costs	43,364	45,249
	87,413	102,866
Employee benefits expense		
Salaries	600,543	565,427
Superannuation contributions	56,643	50,714
Annual and long service leave	9,702	4,666
Other	46,244	50,362
Total employee benefits	713,132	671,169
General administrative expenses		
ATM costs	-	1,049
Board costs	56,703	68,429
Legal fees	7,786	13,347
Loan establishment costs	6,764	9,309
Marketing and promotion	75,242	62,034
Member chequing	59,517	56,952
Member protection	103,194	89,952
Office administration	85,475	80,532
Processing Fees	21,073	21,796
Redicard costs	147,809	116,727
Other	63,160	64,991
Revaluation Expense	-	98,296
Total general and administration	626,723	683,414

	2014 $	2013 $
5. AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditors of First Choice for:		
- Audit of the financial statements	36,740	33,995
- Other regulatory audit services	9,735	7,520
- Taxation services	-	1,985
	46,475	43,500

6. INCOME TAX

6.1 Current Tax Expense

Represented by:

	2014 $	2013 $
Current tax expense	157,598	222,102
Increase/(decrease) in deferred tax liability	(2,956)	(1,580)
(Increase)/decrease in deferred tax asset	(4,145)	(42,766)
Total	150,497	177,756

6.2 Reconciliation of Current Year Tax Payable to Income Tax Expense

The prima facie tax on profit from operations before income tax is reconciled to the income tax as follows:

	2014 $	2013 $
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2013: 30%)	154,475	182,422
Plus / (Less) tax effect of:		
- Dividend rebate	(4,342)	4,302
Over/under provision from prior year	364	(8,968)
	150,497	177,756
The applicable weighted average tax rates	30%	30%

		2014 $	2013 $
7.	**CASH AND LIQUID ASSETS**		
	Cash on hand	185,308	185,041
	Imprest accounts (CUSCAL Limited)	57,182	1,927,089
	Cash on deposit	4,250,000	2,400,000
		4,492,490	4,512,130
8.	**RECEIVABLES FROM FINANCIAL INSTITUTIONS**		
	Financial asset classification:		
	Held to Maturity (Negotiable certificates of Deposit)	5,931,345	4,776,414
	Loans and receivables (Fixed term deposits)	9,000,000	9,000,000
		14,931,345	13,776,414
9.	**ACCRUED RECEIVABLES**		
	Clearing accounts	1,882	1,915
	Interest receivable on deposits with other financial institutions	95,708	140,001
		97,590	141,916

10. LOANS AND ADVANCES

	2014 $	2013 $
Overdrafts	384,712	1,026,056
Term loans	32,729,960	33,132,219
	33,114,672	34,158,275
Less: Provision for impaired loans	(68,748)	(21,368)
	33,045,924	34,136,907

10. LOANS AND ADVANCES (Continued)

10.1 Credit quality – security held against loans

	2014 $	2013 $
Secured by mortgage over real estate	23,656,771	23,909,327
Partly secured by goods mortgage	7,523,943	7,958,833
Assigned savings	38,272	52,539
Wholly unsecured	1,895,686	2,237,576
	33,114,672	34,158,275

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

	2014 $	2013 $
Security held as mortgages against real estate		
- loan to valuation ratio of less than 80%	21,050,680	20,824,925
- loan to valuation ratio of more than 80% but mortgage insured	1,907,325	2,735,210
- loan to valuation ratio of more than 80% but not mortgage insured	698,766	349,192
	23,656,771	23,909,327

10.2 Concentration of loans

First Choice has an exposure to groupings of individual loans which concentrate risk and create exposure to particular segments as follows:

	2014 $	2013 $
(i) Loans to individual or related groups of members which exceed 10% of capital – aggregate value	795,312	1,456,743

(ii) Loans to members are mainly concentrated in Central Western New South Wales

(iii) Loans by customer type were:

	2014 $	2013 $
Housing loans and facilities	22,706,309	22,618,391
Personal loans and facilities	8,680,034	9,401,881
Commercial loans and facilities	1,728,329	2,138,003
	33,114,672	34,158,275

10. LOANS AND ADVANCES (Continued)

10.3 Movement in the provision for impairment

	2014 $	2013 $
Opening balance	21,368	8,962
Bad debts written off against provision	(36,062)	(24,536)
Loans provided for during the year	83,442	36,942
	68,748	21,368

10.4 Impaired Loans Written Off

	2014 $	2013 $
Amounts written off against the provision	36,062	24,536
Amounts written off directly to expense	-	-
Bad debts expense	36,062	36,942
Bad debts recovered in the period	7,565	19,880

10.5 Analysis of loans that are impaired or potentially impaired based on age of repayments outstanding

	2014 Carrying Value $	2014 Provision $	2013 Carrying Value $	2013 Provision $
0 to 90 days in arrears	1,081,606	-	900,733	-
90 to 180 days in arrears	11,946	4,778	7,770	3,108
180 to 270 days in arrears	2,782	1,669	4,291	2,574
270 to 365 days in arrears	69,875	55,900	18,927	15,141
Over 365 days in arrears	6,382	6,382	-	-
Over limit facilities over 14 days	49	19	1,225	545
Total	1,172,640	68,748	932,946	21,368

Some impaired loans are secured by bill of sale over motor vehicles or other assets of varying value. It is not practicable to determine the fair value all collateral as at the balance date due to the variety of assets and condition.

10.6 Loans with repayments past due but not regarded as impaired

There are loans with a value of $1,081,606 (2013:$900,733) past due which are not considered to be impaired, due to the very short number of days past due. It is not practicable to identify the security over all loans past due. These all fall within the 0-90 day category.

	2014 $	2013 $

10. LOANS AND ADVANCES (Continued)

10.7 Assets acquired via enforcement of security

Assets acquired via enforcement of security (excluding loans reported)	-	-

The policy is to sell the assets via auction at the earliest opportunity after measures to assist the members to repay the debts have been exhausted.

10.8 Loans that would otherwise be past due or impaired whose terms have been renegotiated

Loans with renegotiated terms	134,058	441,349

10.9 Key assumptions in determining impairment

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

11. AVAILABLE FOR SALE INVESTMENTS

	2014 $	2013 $
Shares held with special service providers		
- primary shares	8,778	8,778
- central banking shares	70,160	70,160
	78,938	78,938

The shareholding in CUSCAL is measured at cost as its fair value could not be measured reliably. This company was created to supply services to the member credit unions. These shares are held to enable First Choice to receive essential banking services – refer to Note 29. The shares are not able to be traded and are not redeemable.

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

First Choice is not intending, nor able to, dispose of these shares.

12. PROPERTY, PLANT AND EQUIPMENT

	2014 $	2013 $
Land - at valuation	349,103	349,103
Buildings - at valuation	460,897	460,897
Less: provision for depreciation	(11,522)	-
	449,375	460,897
Plant and equipment - at cost	272,369	269,233
Less: provision for depreciation	(236,916)	(224,896)
	35,453	44,337
Motor vehicles – at cost	20,020	23,990
Less: provision for depreciation	(1,079)	(13,359)
	18,941	10,631
Capital works in progress	10,043	10,043
Total property, plant and equipment	862,915	875,011

Units 1, 2, 3 and 6, 18 Sale Street, Orange were independently valued at $810,000 as at 30 November 2013 by Mr Andrew Hall, of Herron, Todd & White, Valuer #2352.

The movement in carrying amounts for each class of property, plant and equipment between the beginning and end of the current financial year was:

	Beginning balance	Revaluation	Additions	Disposals WDV	Depreciation Write Back	Depreciation expense	Carrying amount at year end
Land	349,103	-	-	-	-	-	349,103
Buildings	460,897	-	-	-	-	11,522	449,375
Capital Works in Progress	10,043	-	-	-	-	-	10,043
Motor vehicles	10,631	-	*20,020*	*23,990*	*15,154*	2,874	18,941
Plant and equipment							
Furniture & Fittings	22,453	-	-	-	-	4,948	17,505
Office Equipment	11,259	-	3,138	-	-	3,087	11,310
EDP Equipment	10,625	-	-	-	-	3,987	6,638
Totals	875,011	-	23,158	23,990	15,154	26,418	862,915

	2014 $	2013 $

13. INTANGIBLES

	2014 $	2013 $
Intangibles – at cost	55,666	47,852
Accumulated amortisation	(41,147)	(37,062)
	14,519	10,790
Visa Service Fee	90,361	62,421
Accumulated amortisation	(1,381)	
	88,980	10,790
Total Intangibles	103,499	73,211

Movement in carrying amounts for each class of intangibles between the beginning and end of the current financial year.

	Beginning balance	Additions	Revaluations and impairment decrements or reversals	Disposals WDV	Amortisation expense	Carrying amount at year end
Intangibles	73,211	35,753	-	-	5,465	103,499

14. DEPOSITS FROM MEMBERS

	2014 $	2013 $
Member deposits		
- at call	24,663,079	23,083,619
- at term	21,516,084	22,481,701
Member withdrawable shares	41,280	40,760
	46,220,443	45,606,080

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

14.1 Concentration of member deposits

	2014 $	2013 $
Member deposits from individual or related groups of members which exceed 10% of capital – aggregate value	4,676,695	3,723,683

	2014	**2013**
	$	**$**

15. PAYABLES AND OTHER LIABILITIES

	2014 $	2013 $
Payables and accrued expenses	88,976	121,062
Accrued interest payable	271,314	354,952
Members' clearing accounts	140,299	953,483
Annual leave	40,964	36,752
	541,553	1,466,249

15.1 Financial liabilities at amortised cost classified as trade and other payables

	2014 $	2013 $
Trade and other payables	541,553	1,466,249
Less annual leave entitlements	(40,964)	(36,752)
Financial liabilities as trade and other payables	500,589	1,429,497

16. TAXATION

16.1 Taxation liabilities

	2014 $	2013 $
Income tax	18,896	55,965
Property	51,028	52,105
	69,924	108,070

16.2 Taxation assets

	2014 $	2013 $
Provision for impairment	20,624	6,410
Employee leave entitlements	30,112	27,978
Property	45,286	42,294
Other	7,699	19,902
	103,721	96,584

16.3 Reconciliation of deferred taxation balances

(i) Gross movements

The overall movement in the deferred tax account is as follows:

	2014 $	2013 $
Opening balance	44,479	(26,972)
Charge/(credit) to income statement	8,215	71,451
Closing balance	52,694	44,479

16. TAXATION (Continued)

16.3 Reconciliation of deferred taxation balances (continued)

(ii) Deferred tax liability

The movement in deferred tax liability for property during the year as follows:

	2014 $	2013 $
At 1 July	(52,105)	(67,985)
Charged to income statement	1,078	1,580
Charged to equity	-	14,300
At 30 June	(51,028)	(52,105)

(iii) Deferred tax assets

The movement in deferred tax assets for each temporary difference during the year as follows:

	2014 $	2013 $
Provision for impaired loans		
At 1 July	6,410	2,689
Charged to income statement	14,214	3,721
At 30 June	20,624	6,410
Employee leave entitlements		
At 1 July	27,978	25,802
Charged to income statement	2,134	2,176
At 30 June	30,112	27,978
Property		
At 1 July		-
Charged to income statement	42,294	29,490
Charged to equity	2,992	12,804
At 30 June	45,286	42,294
Other		
At 1 July	19,902	12,523
Charged to income statement	(12,203)	7,379
At 30 June	7,699	19,902

17. PROVISIONS

	2014 $	2013 $
Long service leave:		
Opening balance at 1 July	53,919	42,866
Additional provision raised during year	5,490	11,053
Amounts used	-	-
Closing balance at 30 June	59,409	53,919

18. RESERVES

18.1 Asset revaluation reserve – land and buildings

	2014 $	2013 $
Opening balance	198,705	259,145
Revaluation increments/(decrements)	-	(60,440)
Closing balance	198,705	198,705

18.2 Reserve for credit losses

	2014 $	2013 $
Opening balance	447,443	428,192
Transfer from retained earnings	-	19,251
Closing balance	447,443	447,443

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

For each type of risk arising from financial instruments, an entity shall disclose:

(i) the exposures to risk and how they arise;
(ii) it's objectives, policies and processes for managing risk and the methods used to measure the risk; and
(iii) any changes in (i) or (ii) from the previous period.

If quantitative data at the reporting date is not representative of the entity's exposure to risk, further information will be provided that is representative of the respective risk exposure.

Introduction

The Board has endorsed a policy of compliance and risk management commensurate with the complexity and First Choice's operations and First Choice's risk profile.

The Board as part of its risk management strategy has identified the following significant areas of risk: market risk, credit risk and operational risk. Authority flows from the Board of Directors to the Audit and Risk Committee, Remuneration Committee and Corporate Governance Committee which are integral to the management of risk.

Board

This is the primary governing body. It quantifies First Choice's risk appetite and approves the framework for mitigating these risks and an adequate reporting system to measure and review these risks.

Audit and Risk Committee

Its key role in risk management is to assess the effectiveness of the controls in place to mitigate risks. The Audit and Risk Committee considers and confirms that the significant risks and controls are to be assessed within the internal audit plan. The Audit and Risk Committee receives the internal audit reports which assess the adequacy and effectiveness of internal controls and compliance with these controls, and provides feedback to the Board for their consideration.

The Audit and Risk Committee carries out a regular review of all operational areas to ensure that operational risks are being properly controlled and reported. It also ensures that contingency plans are in place to achieve business continuity in the event of serious disruptions to business operations.

The Audit and Risk Committee monitors compliance with the framework laid out in the policy on a quarterly basis and reports in turn to the board, where actual exposures to risks are measured against prescribed limits.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Remuneration Committee

The Remuneration Committee is the instrument First Choice uses to ensure that the Remuneration Policy is properly enforced.

The objectives of the remuneration policy are:

(a) To ensure that First Choice's remuneration arrangements are in accordance with Prudential Standard CPS 510 Remuneration and Prudential Practice Guide APG 511 Remuneration.

(b) To ensure the independence of risk and control personnel in the performance of their functions.

The key features of the revised remuneration policy are:

- that the Remuneration Committee is the Board's instrument for ensuring the policy is complied with;
- that all person's remuneration covered by the policy consists of only a fixed component.

First Choice ensures that risk and financial control personnel are remunerated independently of the businesses they oversee, through the provision of remuneration packages that only include a fixed component.

Corporate Governance Committee

The Committee considers any matters relating to the policy and practice of corporate governance within First Choice.

The duties of the Committee are to:

- Monitor corporate governance developments and bring to the Board's attention matters of importance and recommendations for improvement.
- Review and recommend amendments to the guidelines for Directors and monitor compliance.
- Recommend policies and guidelines for matters of governance generally, including the process of disclosure of information from the Board to members.
- Review and recommend to the Board the statement of corporate governance for inclusion in the Annual Report.
- Review and recommend preferred attributes for the nomination of potential Board appointed directors.
- Recommend where necessary amendments to the constitution to including maximum protection from hostile demutualisation actions.
- Develop and oversee a director educational programme which includes the attendance of conferences and seminars.
- Consideration of any other matter relating to corporate governance which the Board or Committee considers necessary.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Internal Audit

Internal audit has responsibility for implementing the controls testing and assessment as required by the Audit and Risk Committee.

Key risk management policies encompassed in the overall risk management framework include:

- Market risk policy
- Interest rate risk
- Liquidity management
- Credit risk management
- Operations risk management including data risk management
- Service Contracts (Outsourcing)
- Accounting and Disclosure
- Corporate Governance
- Business Continuity Management
- Fit and Proper

First Choice has undertaken the following strategies to minimise the risks arising from financial instruments.

19.1 Market risk policy

The objective of First Choice’s market risk management is to manage and control market risk exposures in order to optimise risk and return.

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

19.2 Interest Rate Risk

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

Most banks are exposed to interest rate risk within its treasury operations. First Choice does not have a treasury operation and does not trade in financial instruments.

Interest rate risk in the banking book

First Choice is exposed to interest rate risk in its banking book due to mismatches between the repricing dates of assets and liabilities.

The interest rate risk on the banking book is reported to the Board monthly.

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

The table set out at Note 21 displays the period that each asset and liability will mature as at the balance date. This risk is not considered significant enough to warrant the use of derivatives to mitigate this risk.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.2 Interest Rate Risk (Continued)

Method of managing risk

First Choice manages its interest rate risk by the use of interest rate sensitivity analysis, the detail and assumptions used are set out below.

Interest rate sensitivity

First Choice's exposure to market risk is measured and monitored using interest rate sensitivity models.

The policy of First Choice to manage the risk is to maintain a balanced 'on book' strategy by ensuring the net interest rate gaps between assets and liabilities are not excessive. The gap is measured monthly to identify any large exposures to the interest rate movements and to rectify the excess through targeted fixed rate interest products available through investment assets and term deposits liabilities to rectify the imbalance to within acceptable levels. The policy of First Choice is not to utilise derivatives to match the interest rate risks. First Choice's exposure to interest rate risk is set out in Note 22 which details the contractual interest change profile.

The Board monitors interest rate risk using independent reports from CUSCAL Ltd and other management reports.

Based on the calculations as at 30 June 2014, the net profit impact for a 2% (2013: 2%) movement in interest rates would be $41,020 (2013: $70,332).

First Choice performs a sensitivity analysis to measure market risk exposures.

The method used in determining the sensitivity was to evaluate the profit based on the timing of the interest repricing on the banking book of First Choice for the next 12 months. In doing the calculation the assumptions applied were that:

- the interest rate change would be applied equally over the loan products and term deposits;
- the rate change would be as at the beginning of the 12 month period and no other rate changes would be effective during the period;
- the term deposits would all reprice to the new interest rate at the term maturity, or be replaced by deposits with similar terms and rates applicable;
- savings deposits would not reprice in the event of a rate change ;
- the value and mix of call savings to term deposits will be unchanged; and
- the value and mix of personal loans to mortgage loans will be unchanged.

There has been no change to First Choice's exposure to market risk or the way First Choice manages and measures market risk in the reporting period.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.3 Liquidity risk

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

First Choice manages liquidity risk by:

- continuously monitoring actual daily cash flows;
- monitoring the maturity profiles of financial assets and liabilities;
- maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities; and
- monitoring the prudential liquidity ratio daily.

First Choice has a longstanding arrangement with the industry liquidity support provider Credit Union Financial Support Services (CUFSS) which can access industry funds to provide support to First Choice should it be necessary at short notice.

First Choice 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. First Choice policy is to apply at least 15% of funds as liquid assets to maintain adequate funds for meeting member withdrawal requests. The ratio is checked daily. Should the liquidity ratio fall below this level management and the Board are to address the matter using the Liquidity Management Strategy and ensure that the liquid funds are obtained from new deposits, or borrowing facilities available. Note 26 describes the borrowing facilities at the reporting date. These facilities are in addition to the support from CUFSS.

The maturity profile of the financial liabilities, based on the contractual repayment terms are set out in the specific Note 21. The ratio of liquid funds over the past year is set out below:

APRA	**2014**	**2013**
Total adjusted liabilities	52,523,209	51,673,633
As at 30 June	19.92%	28.82%
Average for the year	23.84%	26.20%
Minimum during the year	19.59%	21.11%
Total member deposits	46,164,182	45,565,520
HQLA as a percentage of total member deposits as at 30 June 2014	22.66%	32.68%

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.4 Credit risk

Credit risk is the risk that members, financial institutions and other counterparties will be unable to meet their obligations to First Choice which may result in financial losses. Credit risk arises principally from First Choice's loan book and investment assets.

(i) Credit risk - loans

The analysis of First Choice's loans by class is as follows:

Loans to:	**2014 Carrying value**	**2014 Off statement of financial position**	**2014 Maximum Exposure**	**2013 Carrying value**	**2013 Off statement of financial position**	**2013 Maximum Exposure**
	$	**$**	**$**	**$**	**$**	**$**
Households	22,499,017	2,601,363	25,100,380	22,618,391	2,751,694	25,370,085
Personal	8,680,034	3,210	8,683,244	9,401,881	4,108	9,405,989
Overdrafts	207,292	1,057,470	1,264,762	-	-	1,314,493
Total to natural persons	31,386,343	3,662,043	35,048,386	32,020,272	2,755,802	36,090,567
Commercial Borrowers	1,728,329	265,076	1,993,405	2,138,003	344,843	2,482,846
Total	**33,114,672**	**3,927,119**	**37,041,791**	**34,158,275**	**3,100,645**	**37,258,920**

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.4 Credit risk (Continued)

(i) Credit risk – loans (Continued)

Carrying value is the value on the balance sheet. Maximum exposure is the value on the balance sheet plus the undrawn facilities (loans approved not advanced, redraw facilities, line of credit facilities, and overdraft facilities). The details are shown in Note 24.

All loans and facilities are within Australia. The geographic distribution is not analysed into significant areas within Australia as the exposure classes are not considered material. Concentrations are described in Note 10.2.

The method of managing credit risk is by way of strict adherence to First Choice's credit assessment policies before the loan is approved and closes monitoring of defaults in the repayment of loans thereafter on a daily basis. The credit policy has been endorsed by the Board to ensure that loans are only made to members that are creditworthy (capable of meeting loan repayments) and compliant with ASIC Responsible Lending guidelines.

First Choice has established policies over the:

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

A regular review of compliance is conducted as part of the internal audit scope and by the Compliance Manager; the results are which are given to the Board and Audit and Risk Committee. The Board also receives comprehensive loan reporting each month to support their assessment of loan fundings, loan delinquency and concentration risk.

Past due and impaired

Impaired Assets are defined as any facility where there is doubt over the timely collection of the full amount of cash flows contracted to be received.

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

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.4 Credit risk (Continued)

(i) Credit risk – loans (Continued)

Past due and impaired (Continued)

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

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

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

Statement of financial position provisions are maintained at a level that management deems sufficient to absorb probable incurred losses in First Choice's loan portfolio from homogenous portfolios of assets and individually identified loans.

A provision for incurred losses is established on all impaired and past due loans after a specified period of repayment default where it is probable that some of the capital will not be repaid or recovered.

The provisions for impaired and past due exposures relate to the loans to members.

Past due value is the 'on statement of financial position' loan balances which are past due by 90 days or more.

Details are as set out in Note 10.

Bad debts

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

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

A reconciliation in the movement of both past due and impaired exposure provisions is provided in Note 10.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.4 Credit risk (Continued)

(i) Credit risk – loans (Continued)

Collateral securing loans

A sizeable portfolio of the loan book is secured against residential property in Australia. Therefore, First Choice is exposed to the risk of a reduction in the Loan to Value (LVR) cover should the property market be subject to a decline. Stress testing is conducted quarterly to assess LVRs in a declining property value environment and the impact on capital.

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

Concentration risk – individuals

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

The aggregate value of large exposures is set out in Note 10 and Note 14 respectively. Concentration exposures to counterparties are closely monitored with annual reviews being prepared for all exposures over 5 per cent of the capital base.

Concentration risk – industry

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

First Choice has a concentration in the retail lending for members who reside within the central west region of New South Wales. This concentration is considered acceptable as this is an area of great diversity in industry. First Choice does not have a concentration risk to any single industry.

(ii) Credit risk – liquid investments

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

The Liquidity Policy requires investments with any individual Authorised Deposit Taking Institution to be limited to $2,500,000 or approximately 18% of the current investment portfolio. The credit policy is that investments are only made to institutions that are credit worthy.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.5 Operational risk

Operational risk is the risk of loss to First Choice resulting from deficiencies in processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. Operational risks in First Choice relate mainly to those risks arising from a number of sources including legal compliance, business continuity, data infrastructure, outsourced services failures, fraud and employee errors.

First Choice's objective is to manage operational risk so as to balance the avoidance of financial losses through the implementation of controls, whilst avoiding procedures which inhibit innovation and creativity. These risks are managed through the implementation of polices and systems to monitor the likelihood of the events and minimise the impact. Systems of internal control are enhanced through:

- the segregation of duties between employee duties and functions, including approval and processing duties;
- documentation of the policies and procedures, employee job descriptions and responsibilities, to reduce the incidence of errors and inappropriate behavior;
- implementation of the whistle blowing policies to promote a compliant culture and awareness of the duty to report exceptions by staff;
- education of members to review their account statements and report exceptions to First Choice promptly;
- effective dispute resolution procedures to respond to member complaints;
- effective insurance arrangements to reduce the impact of losses;
- contingency plans for dealing with the loss of functionality of systems or premises or staff.

Fraud

Fraud can arise from member card PINs, and internet passwords being compromised where not protected adequately by the member. It can also arise from other systems failures. First Choice has systems in place which are considered to be robust enough to prevent any material fraud. However, in common with all retail banks, fraud are potentially a real cost to First Choice.

IT systems

The worst case scenario would be the failure of First Choice's core banking and IT network suppliers, to meet customer obligations and service requirements. First Choice has outsourced the IT systems management to an Independent Data Processing Centre (IDPC) which is owned by a collection of Credit Unions. This organisation has the experience in-house to manage any short-term problems and has a contingency plan to manage any related power or systems failures. Other network suppliers are engaged on behalf on First Choice by the industry body CUSCAL to service the settlements with other financial institutions for direct entry, ATM & Visa cards, and B pay etc.

A full disaster recovery plan is in place to cover medium to long-term problems which is considered to mitigate the risk to an extent such that there is no need for any further capital to be allocated.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.6 Capital management

Capital management is an integral part of First Choice's risk management framework aligning First Choice's risk appetite and risk profile with First Choice's capacity to absorb losses. Capital is managed through a comprehensive Internal Capital Adequacy Assessment Process which outlines a strategy for implementing an Integrated Risk Management Framework at First Choice. The process identifies the risks First Choice faces, risk mitigants, calculates the residual risk being faced and establishes the level of capital required to absorb potential losses from these risks.

Capital resources

Regulatory Capital (Total Capital) consists of:

Tier 1 Capital is Going concern capital: capital against which losses can be written off while an ADI continues to operate. Going-concern capital will also absorb losses should the ADI ultimately fail and comprises: Common Equity Tier 1 Capital and Additional Tier 1 Capital.

First Choice's Common Equity Tier 1 Capital consists of Retained Earnings, Current Year Earnings and the Asset Revaluation Reserve. First Choice has nil Additional Tier 1 Capital.

Tier 2 Capital is Gone-concern capital: capital that would absorb losses until such time as an ADI is wound up or the capital is otherwise written off.

First Choice's Tier 2 Capital comprises the General Reserve for Credit Losses, to a maximum of 1.25% of total credit risk-weighted on-balance sheet and off-balance sheet assets.

As at 30 June 2014, minimum capital thresholds and First Choice's capital ratios are:

Capital ratios and buffers	**2014 (%)**	**2013 (%)**
Common Equity Tier 1 (as a percentage of risk -weighted assets	20.25	19.35
Tier 1 (as a percentage of risk-weighted assets)	20.25	19.35
Total capital (as a percentage of risk-weighted assets)	**21.38**	**20.49**
Buffer requirement (minimum CET1 requirements of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	6.5	6.5
of which: capital conservation buffer requirements	2.5	2.5
of which: ADI-specific countercyclical buffer requirements	-	-
Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	13.37	12.48

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.6 Capital management

The capital ratio can be affected by growth in assets relative to growth in reserves and by changes in the mix of assets.

First Choice uses the following mechanisms to measure, monitor and report capital to the Board:

- Capital is calculated in accordance with the prudential standards monthly in the current environment
- Capital is reported to the Board monthly and in a deteriorating capital environment more frequently, per the guidelines in the Capital Policy and the Internal Capital Adequacy Assessment Process
- Capital is stress tested under various adverse operating conditions quarterly. The results of this testing is reported to the Board.
- Confirmation is sought that the mitigants for each identified category of risk are listed within the Compliance Monitoring Software and has been completed.

Operational risk

First Choice uses the Standardised approach for calculating Operational Risk, as outlined under Prudential Standard APS 114. The standardised approach is considered to be most suitable for its business given the small number of distinct transaction streams. The Operational Risk Capital Requirement is calculated by mapping First Choice's three year average net interest income and net non-interest income to First Choice's various business lines.

Based on this approach, First Choice's operational risk requirement is as follows:

	2014 $	2013 $
Operational Risk Capital	249,147	230,038

Prudential Standard APS 330 Public Disclosures

The mandatory public disclosures under APS 330 including the Common Disclosure Template can be found at http://www.firstchoicecu.com.au/disclosures.html

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

19.6 Capital management (Continued)

The risk weights attached to each asset are based on the weights prescribed by APRA in Prudential Standard APS 112. The general rules apply the risk weights according to the level of underlying security.

		Carrying Value 2014 $	Risk Weighted Value 2014 $	Carrying Value 2013 $	Risk Weighted Value 2013 $
Cash	0%	185,306	-	185,040	-
Deposits in ADI's - Credit Rating Grade 1	20%	6,806,622	1,361,324	12,693,164	2,538,633
Deposits in ADI's - Credit Rating Grade 2	20% to 50%	4,981,014	2,028,304	5,042,356	2,521,178
Deposits in ADI's - Credit Rating Unrated	20% to 50%	7,546,603	2,265,464	507,984	253,992
Standard eligible residential mortgage loan up to 80% LVR	35%	16,059,545	5,620,841	16,319,607	5,711,863
Standard eligible residential mortgages loan greater than 80% LVR	50% to 100%	79,838	39,919	349,192	174,596
Standard eligible residential mortgage loan up to 80% LVR, but mortgage insured	35%	269,233	94,232	-	-
Standard eligible residential mortgages loan greater than 80% LVR, but mortgage insured	35%	1,907,325	667,564	2,102,047	783,378
Non-Standard eligible Loans secured against eligible residential mortgages greater than 80% LVR	50% to 75%	2,480,100	1,554,203	2,024,695	1,206,145
Non-Standard eligible Loans secured against eligible residential mortgages greater than 80% LVR, but mortgage insured	75%	228,356	171,267	235,339	176,504
Past due claims	100%	91,296	91,296	32,214	32,214
Other assets	100%	12,868,643	12,868,643	13,959,489	13,959,489
Total		**53,503,881**	**26,763,057**	**53,451,127**	**27,357,992**

20. CATEGORIES OF FINANCIAL INSTRUMENTS

The following information classifies the financial instruments into measurement classes

Financial assets	**Note**	**2014 $**	**2013 $**
Cash and cash equivalents	7	4,492,490	4,512,130
Loans and receivables – amortised cost			
- Receivables from financial institutions – FTD's	8	9,000,000	9,000,000
- Accrued receivables	9	97,590	141,976
- Loans to members	10	33,045,924	34,158,215
Held to Maturity – amortised cost			
- Receivables from financial institutions – NCD's	8	5,931,345	4,776,414
Available for sale – fair value			
- Investments	11	78,938	78,938
TOTAL FINANCIAL ASSETS		52,646,287	52,667,733
Financial liabilities – carried at amortised cost			
Deposits from members	14	46,220,443	45,606,080
Payables and other liabilities	15	500,589	1,429,497
TOTAL FINANCIAL LIABILITIES		46,721,032	47,035,577

21. MATURITY PROFILE OF FINANCIAL INSTRUMENTS

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

Financial instruments	Within 3 months		3-12 months		1-5 Years		> 5 years		At Call		Total	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
(i) Financial assets												
Cash and liquid assets	4,317,508	4,330,248	-	-	-	-	-	-	185,308	185,041	4,502,816	4,515,289
Receivables due from other financial institutions	12,589,597	8,936,696	2,517,548	5,090,197	-	-	-	-	-	-	15,107,145	14,026,893
Accrued receivables	-	-	-	-		-	-	-	1,882	1,915	1,882	1,915
Loans to members	1,363,235	1,425,659	4,372,142	4,596,026	15,456,699	4,660,488	31,180,664	41,993,008	-	-	52,372,740	52,675,181
Other investments	-	-	-	-	-	-	-	-	78,938	78,938	78,938	78,938
Total financial assets	18,270,340	14,692,603	6,889,690	9,686,223	15,546,699	4,660,488	31,180,664	41,993,008	266,128	265,894	72,063,520	71,298,216
(ii) Financial liabilities												
Deposits	13,886,290	12,743,642	7,954,056	10,184,131	-	-	-	-	24,704,359	23,124,379	46,544,705	46,052,152
Payables and other liabilities	-	-	-	-	-	-	-	-	500,589	1,429,497	500,589	1,429,497
Total financial liabilities	13,886,290	12,743,642	7,954,056	10,184,131	-	-	-	-	25,204,948	24,553,876	47,045,294	47,481,649

22. INTEREST RATE CHANGE PROFILE OF FINANCIAL ASSETS AND LIABILITIES

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

Financial instruments	Within 1 month		1-3 months		3-12 months		1-5 years		Non interest rate sensitive		Total	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
(i) Financial assets												
Cash and liquid assets	4,307,182	4,327,089	-	-	-	-	-	-	185,308	185,041	4,492,490	4,512,130
Receivables due from other financial institutions	2,984,004	3,289,050	9,468,576	5,494,581	2,478,765	4,992,782	-	-	-	-	14,931,345	13,776,413
Accrued receivables	-	-	-	-	-	-	-	-	97,590	141,916	97,590	141,916
Loans to members	33,114,672	34,158,275	-	-	-	-	-	-	-	-	33,114,672	34,158,275
Other investments	-	-	-	-	-	-	-	-	78,938	78,938	78,938	78,938
Total financial assets	40,405,858	41,774,414	9,468,576	5,494,581	2,478,785	4,992,782	-	-	361,836	405,895	52,715,035	52,667,672
(ii) Financial liabilities												
Deposits	31,653,700	29,271,934	6,772,535	6,420,061	7,752,928	9,873,325	-	-	41,280	40,760	46,220,443	45,606,080
Payables and other liabilities	-	-	-	-	-	-	-	-	500,589	1,429,497	500,589	1,429,497
Total financial liabilities	31,638,719	29,271,934	6,772,535	6,420,061	7,752,928	9,873,325	-	-	541,869	1,470,257	46,721,032	47,035,577

23. 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 First Choice and there is no active market to assess the value of the financial assets and liabilities.

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

The calculation reflects the interest rate applicable for the remaining term to maturity not the rate applicable to the original term.

	2014			2013		
	Fair value	**Carrying value**	**Variance**	**Fair value**	**Carrying value**	**Variance**
	$	**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash	4,492,490	4,492,490	-	4,512,130	4,512,130	-
Advances to other financial institutions	14,931,345	14,931,345	-	13,776,414	13,776,414	-
Receivables	97,590	97,590	-	141,916	141,916	-
Loans & advances	33,114,672	33,045,924	68,748	34,158,275	34,136,907	21,368
Investments	78,938	78,938	-	78,938	78,938	-
Total Financial Assets	52,715,035	52,646,287	68,748	52,667,673	52,646,305	23,368
Financial liabilities						
Deposits from members	46,220,443	46,220,443	-	45,606,080	45,606,080	-
Payables and other liabilities	500,589	500,589	-	1,429,497	1,429,497	-
Total Financial Liabilities	46,721,032	46,720,032	-	47,035,577	47,035,577	-

The carrying value of receivables and creditors approximates fair value.

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

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

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

Liquid assets and receivables from other financial institutions

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

Loans and advances

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

For variable rate loans, (excluding impaired loans) the amount shown in the balance sheet is considered to be a reasonable estimate of fair value. The fair value for fixed rate loans is calculated by utilising discounted cash flow models (i.e. the net present value of the portfolio future principal and interest cash flows), based on the period to maturity of the loans. The discount rates applied were based on the current applicable rate offered for the average remaining term of the portfolio.

First Choice did not hold any fixed rate loans at either 30 June 2014 or 30 June 2013.

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

Deposits from members

The fair value of call and variable rate deposits, and fixed rate deposits repricing within 12 months, is the amount shown in the balance sheet. Discounted cash flows were used to calculate the fair value of other term deposits, based upon the deposit type and the rate applicable to its related period maturity.

First Choice had no deposits which are maturing more than 12 months from year end in either the current or previous financial year.

Short term borrowings

The carrying value of payables due to other financial institutions approximate their fair value as they are short term in nature and reprice frequently.

24. FINANCIAL COMMITMENTS

	2014 $	2013 $
Outstanding loan commitments		
The loans approved but not funded	1,299,578	206,617
Loan redraw facilities		
The loan redraw facilities available	1,304,995	1,404,893
Overdrafts		
Overdraft facilities available	1,322,546	1,314,493
Total Financial Commitments	3,927,119	2,926,003

25. EXPENDITURE COMMITMENTS

25.1 Future Capital Commitments

At 30 June 2014 First Choice was nearing completion of negotiations to acquire a new core banking system. It is estimated that costs will be in the vicinity of $143,000.

25.2 Other

In the normal course of business First Choice enters into various types of contracts that give rise to contingent or future obligations. These contracts generally relate to the financing needs of the members. First Choice applies the same credit policies and assessment criteria in making commitments and conditional obligations for off-statement of financial position risks as it does for on-statement of financial position loan assets. First Choice holds collateral supporting these commitments where it is deemed necessary.

26. STANDBY BORROWING FACILITIES

First Choice has gross borrowing facilities with CUSCAL Limited of:

Overdraft facility

	2014 $	2013 $
Gross	250,000	250,000
Current borrowing	-	-
Net available	250,000	250,000

Standby Loan facility

	2014 $	2013 $
Gross	1,000,000	1,000,000
Current borrowing	-	-
Net available	1,000,000	1,000,000

There are no restrictions as to withdrawal of these funds subject to the availability of funds to CUSCAL Limited at the time of draw down.

The borrowing facilities are secured by a fixed and floating charge over the assets and undertakings of First Choice.

27. CONTINGENT LIABILITIES

Credit Union Financial Support System

First Choice is a member of the Credit Union Financial Support System (CUFSS). CUFSS is a voluntary scheme of all Credit Unions that are affiliated with CUSCAL Limited. As a member, First Choice is committed to keep 3.2% of total assets in a nominated account that may be used by CUFSS for providing financial support backed by a floating charge over assets of the borrowing Credit Union. No funds have been so provided as at 30 June 2014.

28. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES

28.1 Names of Directors

During the course of the financial year the following Directors held office:

- K. Boyde
- G.W. Dean
- R. Dunkley
- C Hainsworth
- P. Hetherington
- P. McFarland
- R.L. Neville
- B. Solling
- P Taberner
- P. Thornberry
- A.H. Wyllie

28. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)

28.2 Key Management Personnel Compensation

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of First Choice, directly or indirectly, including any director (whether executive or otherwise) of that entity. *Control* is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key Management Persons (KMP) have been taken to comprise the Directors and the members of the executive management team during the financial year, responsible for the day to day financial and operational management of First Choice.

	Short-term employee benefits $	Post-employment benefits $	Other long-term benefits $	Termination benefits $	Total $
Year ended 30 June 2014					
Directors	41,029	2,514			43,543
Other KMP	253,231	22,828			276,059
Year ended 30 June 2013					
Directors	38,979	1,694	-	-	40,673
Other KMP	243,515	20,579	-	-	264,094

Compensation includes all employee benefits as defined in AASB 119: *Employee Benefits* including employee benefits to which AASB 2: *Share-based Payment* applies. Employee benefits are all forms of consideration paid, payable or provided by First Choice, or on behalf of First Choice, in exchange for services rendered to First Choice.

Compensation includes:

(i) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees;

(ii) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;

(iii) other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;

(iv) termination benefits; and

(v) share-based payments.

28. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)

28.3 Loans to Key Management Personnel and their Close Members of Family

	Balance as at 1 July $	Interest charged $	Write-off $	Balance as at 30 June $	Number in group	Amount of impairment loss expense recognised $
Year ended 30 June 2014						
Directors	235,309	4,342		35,363	2	
Other KMP	377,149	16,541		772,500	2	
Close members of family						
Year ended 30 June 2013						
Directors	200,474	13,406	-	235,309	2	-
Other KMP	73,623	12,424	-	377,149	2	-
Close members of family	-	-	-	-	-	-

Of the ending loans balance to Other KMP $45,406 was at an interest rate of 5.95% and $727,091 was at an interest rate of 5.80%. All other loans provided to key management personnel and their close members of family are on conditions no more favourable than those extended to members. Security has been obtained for these loans in accordance with First Choice's lending policy.

There is no provision for impairment in relation to any loan extended to key management personal or their close members of family. No loan impairment expense in relation to these loans has been recognised during the period.

28.4 Other transactions

There were no other transactions during the financial year between First Choice and members of the Board.

28. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURES (Continued)

28.5 KMP and their Close Members of Family Saving, Term Deposit and Revolving Credit Facility Accounts

	Balance as at 1 July	**Interest Paid**	**Balance as at 30 June**	**Number in group**
	$	**$**	**$**	
Year ended 30 June 2014				
Directors	267,284	4,712	158,678	11
Other KMP	76,438	847	65,911	2
KMP close members of family	413,460	8,620	8,833	2
Year ended 30 June 2013				
Directors	257,006	7,890	267,284	9
Other KMP	78,058	1,015	76,438	2
KMP close members of family	375,575	20,185	413,460	3

Directors and related parties have received interest on deposits with First Choice during the financial year. Interest has been paid on terms and conditions no more favourable to those available on similar transactions to members of First Choice.

29. ECONOMIC DEPENDENCY

First Choice has an economic dependency on the following suppliers of services:

(i) CUSCAL Ltd - this entity supplies First Choice rights to members' cheques and redicards in Australia and provides services in the form of settlement with bankers for member chequing, redicard and visa debit card transactions and the production of members' cheque books and Redicards for use by members. It also provides central banking facilities.

(ii) First Data International Limited (FDI) – this company operates the switching computer used to link redicards and visa debit cards operated through reditellers, and other approved ATM suppliers, to First Choice EDP systems.

(iii) Lynx Financial Systems Pty Ltd – this company provides and maintains the application software used by First Choice.

(iv) Credit Union Financial Support System (CUFSS) – this entity provides emergency liquidity support to First Choice.

30. SEGMENTAL REPORTING

First Choice operates exclusively in the retail financial services industry within Australia.

31. SECURITISATION

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

The amount of securitised loans under management as at 30 June 2014 is $nil (2013: $174,642).

32. CASH FLOW INFORMATION

32.1 Cash Flows Presented on a Net Basis

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

(i) member deposits to and withdrawals from savings, money market and other deposit accounts;
(ii) sales and purchases of maturing certificates of deposit;
(iii) provision of member loans and the repayment of such loans.

32.2 Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call with other financial institutions. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2014 **$**	**2013** **$**
Reconciliation of cash		
Cash balance comprises:		
- Cash on hand	185,308	185,041
- Cash at bank	57,182	1,927,089
- Cash on deposit	4,250,000	2,400,000
	4,492,490	4,512,130

32. CASH FLOW INFORMATION (Continued)

32.3 Reconciliation of Net Cash Provided by Operating Revenue Activities to Net Profit After Income Tax

	2014 $	2013 $
Net profit after tax	364,421	430,316
Non-cash items		
Depreciation and amortisation	31,883	34,039
Loss on disposal of property	1,109	-
Bad debts written off	83,442	36,943
Revaluation of Assets	-	124,202
Movements in assets and liabilities		
Deferred income tax asset	(7,137)	(55,570)
Other assets	3,880	(4,787)
Provision for income tax	(37,069)	58,559
Accrued interest receivable	44,293	3,706
Accrued interest payable	(83,638)	(77,232)
Creditors and accruals	(32,086)	25,393
Provisions	9,702	4,666
Deferred income tax liability	(1,078)	(15,880)
Net cash provided by revenue activities	377,722	564,355

33. CORPORATE INFORMATION

First Choice is a company limited by shares, and is registered under the Corporations Act 2001.

The address of the registered office is: First Choice Credit Union Ltd
2/18 Sale Street
Orange NSW 2800

The address the principal place of business is: 2/18 Sale Street
Orange NSW 2800

The nature of the operations, and it's principal activities are the provision of deposit taking facilities and loan facilities to the members of First Choice.

34. CORPORATE GOVERNANCE DISCLOSURES

Board

First Choices' Board has responsibility for the overall risk management and strategic direction of First Choice. Board members are independent of management and are elected by members on a rotation of every 3 years.

Each Director must be eligible to act under the constitution as a member of First Choice and *Corporations Act 2001* criteria. Directors need to also satisfy the Fit and Proper criteria set down by APRA and First Choice.

The Board has established policies to govern conduct of the Board meetings, Director conflicts of interest and training so as to maintain Director awareness of emerging issues and to satisfy all governance requirements.

34. CORPORATE GOVERNANCE DISCLOSURES (Continued)

Board (Continued)

The Board:

- Ensures the adequacy and implementation of the Risk Management Framework including compliance with policies
- Ensures the implementation of the Strategic Plan
- Monitors the matters of operational risk management and APRA reporting obligations
- Monitors the compliance with applicable laws
- Approves one off significant expenditure (i.e. items over >$10,000)
- Endorses First Choices' remuneration policy and specifically the General Manager's remuneration package
- Monitors financial budgets and performance criteria
- Endorsement of General Manager expenses
- Endorsement of large loans or commercial loans
- Endorsement of interest rate changes

Board Remuneration

The Board receives remuneration from First Choice in the form of allowances agreed to each year at the AGM and out of pocket expenses. There are no other benefits received by the Directors.

Audit and Risk Committee

The Audit and Risk Committee assists the Board in matters of financial prudence, financial reporting and implementation of the risk management framework. The Directors form the majority of this committee with General Manager participation.

The Audit and Risk Committee is established to oversight the financial reporting and audit process. Its role includes:

- Monitoring audit reports received from internal and external auditors, and management's responses thereto;
- Liaising with the auditors (internal and external) on the scope of their work, and experience in conducting an effective audit;
- Ensuring the external auditors remain independent in the areas of work conducted;
- Monitoring the matters of operational risk management and APRA reporting obligations; and
- Monitoring the compliance with applicable laws.

Management Remuneration

All management are remunerated by salary packages. The General Manager's salary is a fixed package sum. Remuneration of all management reflects the requirements of First Choice's Remuneration Policy and is governed by the Charter of the Remuneration Committee, both of which are consistent with the requirements of APRA standards' CPS 510 Governance and APG 511 Remuneration.

34. CORPORATE GOVERNANCE DISCLOSURES (Continued)

Policies

The Board has endorsed a policy of compliance and risk management to suit the risk profile of First Choice's ethical guidelines to staff, and to reinforce the practice of providing efficient service to members with courtesy and recognition of members as owners.

The ethical principles adopted by First Choice are in accordance with Credit Union Code of Practice.

Key Risk Management Policies include:

- Capital adequacy including the Internal Capital Adequacy Assessment Program
- Liquidity Management
- Credit Risk
- Commercial Loans
- Fraud Risk Management
- Data risk management
- Business Continuity Management
- Market Risk Management
- Outsourcing Management
- Operations Risk Management

Compliance Manager

First Choice has a Risk and Compliance Manager who is responsible for maintaining staff awareness of changes in the regulatory environment, responding to staff inquiries on compliance matters, reporting on risk appetite to the Board and ensuring that First Choice's policies and procedures comply with regulation. The Manager also performs Prudential Reporting, compliance with Financial Reporting obligations, FSR and Credit License obligations and responding to all member complaints and disputes should they arise.

External Audit

The external audit is performed by Intentus Accountants. The Partners at Intentus have over 30 years experience auditing small to medium sized credit unions.

The work performed by the external auditors is examined by the Audit and Risk Committee to ensure it is consistent with the Audit Strategy and does not impair their independence.

Internal Audit

The internal audit function is performed by DBP Consulting Pty Ltd to deal with the areas of internal control compliance and regulatory compliance.

Regulation

First Choice is regulated by:

- Australian Prudential Regulation Authority (APRA) for the prudential risk management of First Choice.

- ASIC for adherence to Corporations Act, National Consumer Credit Protection Act 2009, Accounting Standards disclosures in the financial report and Financial Services Reform (FSR) requirements. The FSR legislation requires First Choice disclose details of products and services, maintains training for all staff that deal with the members, and provide an effective and independent complaints handling process.

- Office of the Australian Information Commissioner for privacy legislation

- AUSTRAC for Anti Money Laundering and Counter Terrorism legislation

34. CORPORATE GOVERNANCE DISCLOSURES (Continued)

Regulation (Continued)

Under the FSR licensing arrangements all staff which deal with the public are required to be trained and certified to a level of skill commensurate with the services provided.

Under the Credit Licensing arrangements all staff are deemed Credit Representatives and some are deemed Responsible Managers and must complete a minimum amount of continuing professional development each year. Responsible Managers must have a minimum level of experience and qualifications.

APRA conduct periodic inspections and the auditors report to both annually on compliance with respective requirements. The external auditors also report to both ASIC on the FSR compliance and APRA on the Prudential policy compliance.

Workplace, Health & Safety (WHS)

The nature of the finance industry is such that the risk of injury to staff and the public are less apparent than in other high risk industries. Nevertheless the two most valuable assets are staff and members and steps need to be taken to maintain the security and safety when circumstances warrant.

WHS policies have been established for the protection of both members and staff and are reviewed annually for relevance and effectiveness.

Staff are trained in hold-up situations and offices are designed to detract from such acts by:

- Little or no cash being held in accessible areas; and
- Cameras and monitoring equipment visible throughout the office.

Office premises are examined regularly to ensure that the electrical safety and physical safety measures are appropriate to the needs to the public and staff. Independent security consultants report regularly on the areas of improvement which may be considered.

WHS is a standing agenda item at the fortnightly staff meetings. First Choice has established an WHS checklist that is completed monthly by staff on a rotating basis. Any concerns raised are actioned upon in a prompt manner. Secure cash handling policies are in place, and injury from lifting heavy weights and RSI are managed by proper techniques to minimise the risk of damage.

All staff have access to trauma councillors where required following an incident which may impair their feeling of safety in the work place.

FIRST CHOICE CREDIT UNION LTD
ABN 63 087 649 867

DIRECTORS' DECLARATION

The Directors of First Choice Credit Union Ltd declare that:

(a) The financial statements and notes set out on pages 8 to 63 are in accordance with the Corporations Act 2001 and:

(i) 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

(ii) give a true and fair view of the financial position as at 30 June 2014 and of the performance for the year ended on that date of First Choice.

(b) In the Directors' opinion there are reasonable grounds to believe that First Choice 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 and is signed at Orange on the 29th day of September 2014 for and on behalf of the Directors by:

Rosalie Neville
Director
Chair of Board of Directors

Paul Thornberry
Director

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CHARTERED ACCOUNTANTS

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
FIRST CHOICE CREDIT UNION LTD
ABN 63 087 649 867

Scope

Report on the financial statements

We have audited the accompanying financial statements of First Choice Credit Union Ltd, which comprises the statement of financial position as at 30 June 2014, 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 notes and the directors' declaration of First Choice.

Directors' responsibility for the financial statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, 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 statements 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 statements.

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*.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of First Choice Credit Union Limited (First Choice) for the year ended 30 June 2014 included on First Choice's web site. First Choice's directors are responsible for the integrity of First Choice's web site. The audit report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Auditor's Opinion

In our opinion:

a. the financial statements of the First Choice Credit Union Ltd, are in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the First Choice's financial position as at 30 June 2014 and of their 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;

b. The financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

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14 Sale Street
Orange
Dated: 29 September 2014

J O'Malley

John O'Malley
Director